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British Gas set to undergo radical reorganisation

British Gas announced a sweeping corporate reorganisation producing "most fundamental changes in organisation and culture... for more than 40 years", according to Norman Blacker, director responsible for the UK gas business. The changes, to be phased in over two years, are intended to prepare UK operations for future competition. They will end the corporation's traditional regional structure and create five business divisions. Page 24; London stocks, Page 15

Former British Rail chairman dies
Sir Robert Reid, left, British Rail chairman from 1983 to 1990, died aged 72, after a lengthy illness. He is credited with modernising BR management, breaking up the traditional hierarchy and splitting BR into five sectors. He put in place many of the building blocks for BR's planned privatisation and break-up in spite of his distaste for the process. Obituary, Page 6

Treasurer to quit Australian treasurer John Dawkins stunned financial markets and political colleagues with the announcement that he was resigning. Page 3

Woolwich, UK's third-largest building society, cut savings rates. Most of the 4m people who save with the society will find the rate cut by 0.41 percentage points. Page 4

Mideast peace process falters: A meeting due in Cairo next week between Israeli prime minister Yitzhak Rabin and Palestinian Liberation Organisation leader Yasser Arafat, is likely to be postponed. Page 3

UK takes more Bosnian refugees: Sixteen seriously injured Bosnians - at least six of them children - are to be treated in UK hospitals after the government agreed their transfer with the United Nations High Commission for Refugees. Serbs to vote as economy crumbles, Page 2

Warning on food discounters: Asda chief executive Archie Norman said Britain's food retailers faced a serious threat from discounters, as he unveiled a 14 per cent jump in first-half operating profits to £105m. Page 10; Lex, Page 24; London stocks, Page 15

Contracts opened up: Government contracts worth hundreds of billions of dollars in EU countries and 11 others, including Japan and the US, are to be opened to international competition for the first time after talks in Geneva. Page 2

Life terms for 'appalling' murder: Four people were convicted at Manchester Crown Court of the murder of 16-year-old Suzanne Capper, who was doused in petrol and set on fire near Stockport, Cheshire, after being held captive for nearly a week. Jean Powell, 26, her estranged husband Glen, 29, and Bernadette McNeilly, 24 were sentenced to life terms for what Mr Justice Potts, the trial judge, called "as appalling a murder as it is possible to imagine". Anthony Hudson, 17, was ordered to be detained during her majesty's pleasure.

Tough drink-driving terms urged: Motorists who kill in the most severe drink-driving cases should be given prison terms near the maximum of 10 years, Lord Taylor, lord chief justice, said. He issued the guidelines at a hearing at which sentences on two drivers who caused death were increased.

Lib Dems face racism split: Liberal Democrats in the London borough of Tower Hamlets may set up a breakaway splinter group after an internal inquiry urged expulsion of three party members. Page 6

Crime crackdown: Measures giving courts powers to lock up children of 10, detain persistent juvenile criminals in secure training centres and end suspects' right to silence were unveiled by home secretary Michael Howard. Page 6

Moore's millions: Sir John Moore, founder of Littlewoods Pools who died in September aged 97, left a UK estate valued at £10m.

Chaplin bowler under the hammer: Charlie Chaplin's bowler hat and cane were sold for £55,000 at Christie's in London by a Swedish businessman to a British collector.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,337.1 (+25.9)	New York lunchtime	1,489.5
Yield	3.53	London	1,491
FT-SE Europe 100	1,483.24 (+11.78)	DM	2,542.6 (2.54)
FT-SE Asia	1,668.18 (+0.75)	FF	8.89 (8.6925)
Nikkei	18,051.91 (+282.63)	Sfr	2,187.5 (2.1725)
New York lunchtime	3,739.28 (+13.14)	Y	164.25 (163.5)
Dow Jones Ind Ave	3,739.28 (+13.14)	£ Index	81.5 (same)
S&P Composite	464.92 (+1.58)		
US LONGTERM RATES		DOLLAR	
Federal Funds	2.75%	New York lunchtime	1,704.85
3-mo Treas Bill	3.0825%	DM	1,704.85
Long Bond	8.29%	FF	5.2825
Yield	8.29%	Sfr	1,456
LONDON MONEY		Y	110.075
3-mo Interbank	5.25% (same)	DM	1,704.85 (1.7049)
Libor 12m	10.25% (Dec 12)	FF	5.2825 (5.3375)
NORTH SEA OIL (Argus)		Sfr	1,456 (1.4595)
Brut 15-day Feb	\$13.61 (13.78)	Y	110.1 (109.75)
Gold		£ Index	81.5 (same)
New York Comex	\$387.4 (385.9)		
London	\$388.2 (386.3)	Tokyo close	¥108.84

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Loyalists may end killings if IRA agrees ceasefire

By Tim Cooney in Dublin and David Owen in London

Loyalist gunmen in Northern Ireland yesterday ruled out a unilateral ceasefire but held out the prospect of an end to killings if the IRA laid down its arms. The Combined Loyalist Military Command (CLMC), in its first response to this week's declaration by the British and Irish prime ministers, made clear the IRA must make the first move. In the absence of any response from the "Provisional murder gangs"

it would pursue its "stated policy in retaliation to IRA violence". The loyalist statement came as Mr Albert Reynolds, the Irish prime minister, fleshed out Dublin's proposal for a peace forum to pave the way for an early entry by Sinn Féin, the IRA's political wing, into dialogue. Mr Reynolds told the Dail (the Irish parliament) that the forum would initially draw together strands of nationalist opinion in both parts of the island. Mr Dick Spring, the Irish foreign minister, yesterday held out

the prospect of lifting Ireland's broadcasting ban on Sinn Féin, if it accepted the peace initiative. The ban comes up for its annual review next month. Mr Spring said: "I would like to feel we can arrive at a decision which will further promote and enhance the prospects of an open dialogue, in which everyone who accepts a democratic mandate can take part."

Mr Peter Brooke, UK national heritage secretary, is expected to report to Mr Major on a review of British restrictions on broadcasting direct speech by members of terrorist organisations in the province early next year. Downing Street officials sought to underline the degree of cross-party backing in Britain for the peace initiative by praising Thursday night's broadcast by Mr John Smith, the Labour leader. Their comments follow unease on the Tory backbenches over the extent to which they perceive the Downing Street Declaration as diluting the government's commitment to the Union and

embracing the nationalist agenda. A further boost for the peace initiative came when Cardinal Cahal Daly, the all-Ireland primate for the Roman Catholic Church, said the declaration gave paramilitaries on both sides an honourable opportunity to halt their violent campaigns. As a poll suggested the people of Ulster were divided over whether the initiative was a first step towards peace, the CLMC said it was seeking clarification on certain aspects of the joint

declaration. It would make a "considered response" later. The CLMC - an umbrella group comprising principally the Ulster Freedom Fighters (UFF) and the Ulster Volunteer Force (UVF) - also called for the creation of a unionist forum "to encompass all the loyalist and unionist political parties". Mr Reynolds said the peace forum would pave the way for wider talks between nationalist and unionist parties together.

Dublin forum, Page 4

Steelmakers angered as EU approves state aid

By Andrew Hill in Brussels and Andrew Baxter in London

Europe's big steelmakers reacted angrily last night when the European Union cleared the way for restructuring its ailing steel industry after more than a year of often bitter wrangling over state subsidies.

Industry ministers unanimously approved a series of state aids for public sector steel producers in eastern Germany, Italy, Spain and Portugal worth nearly Ecu7bn (£5.33bn) and involving more than 5m tonnes of capacity reductions.

The deal is the most far-reaching attempt by the Commission to resolve the deep-seated problems of Europe's steel industry since the restructuring carried out under the Davignon plan of the early 1980s. Without agreement on state subsidies, the entire industry faced sliding into further heavy losses next year.

The European Commission and the Belgian presidency of the EU said it was now up to non-aided steel producers to carry out production of the bargain and cut production by almost 25m tonnes, easing problems of overcapacity. But the deal was immediately criticised by these unsubsidised private sector producers, raising the possibility that they will be reluctant to offer their own capacity cuts.

"This is a compromise, driven by political expedience," said British Steel. Mr Ruprecht Vondran, president of the German Steel Federation, called it "pure window dressing for the public" and predicted dire consequences for Germany's private steelmakers. The ministers issued a strong political declaration ren-

ouncing further state subsidies for the companies involved. Mr Paolo Savona, the Italian industry minister, said: "The importance of today's agreement is exactly that it is a road without a return."

Mr Savona had been accused by the Commission and the Belgian presidency of blocking an overall deal on state subsidies at the November meeting of industry ministers. But the agreement on restructuring Iva, the state-owned Italian producer, was reached without detailed discussion yesterday.

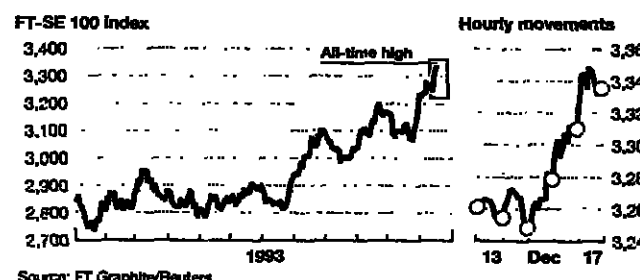
Mr Tim Sainsbury, British industry minister, also had to abandon UK resistance to the restructuring of Ekostahl, the east German producer. But Britain and Denmark won commitments that Iva, the private Italian company planning to buy Ekostahl, would limit new capacity to 900,000 tonnes over the next five years, and "significantly below 2m tonnes" up to 2004.

Mr Sainsbury also stressed that most of the restructuring packages would involve an element of privatisation which, he said, would lead to "much fairer trading for steel in the Community". Yesterday's agreement is subject to formal parliamentary scrutiny in Denmark and Britain.

The Commission has already won agreement from ministers for other elements of its rescue plan: Ecu240m of financial support to ease the pain of more than 50,000 redundancies; monitoring of the steel market; and safeguards to limit cheap imports of steel from central and eastern Europe.

Germans upset, Page 2

Festive cheer: London shares continue second-half surge



UK shares hit new high as economic outlook brightens

Shares in London closed last night at another record high, boosted by hopes of steady economic growth next year with inflation staying low.

The FT-SE 100 index of leading stocks climbed 25.9 to finish at 3,337.1, for a 76-point rise on the week. Since the day before the Budget on November 30, share prices have gained 7 per cent.

UK government bonds also continued their good run, with prices driven up by low inflationary pressures and expectations of a cut in interest rates early in the new year.

Report and Lex, Page 24

Bonds, Page 12

London stocks, Page 15

Markets, Weekend Page 11



Home for Christmas: Soldiers from a US infantry regiment prepare to fly back from Mogadishu airport to their base in Fort Drum, New York. They are the first combat unit to be redeployed after President Bill Clinton ordered US troops out of Somalia by March 31. Picture: AP

Annenberg gives \$500m to help troubled US schools

By George Graham in Washington

Teachers labouring in a US school system beset by violence and declining results yesterday received an early Christmas present.

Mr Walter Annenberg, the publishing magnate and philanthropist who served as President Richard Nixon's ambassador to London, announced that he would give \$500m (£335m) to help improve the US public education system.

The 85-year-old Mr Annenberg, who has already donated hundreds of millions of dollars to universities and private schools, said he had been deeply troubled by the violence in some schools. "If this continues it will not only erode the educational system but will destroy our way of life in the United States," he said.

The gift is the largest ever made to the US public education system. It will initially include a \$60m grant to the New American Schools Development Corporation, a government-sponsored initiative to promote innovation in education, and \$15m for the Education Commission of the States to help local governments reform their school systems.

Mr Annenberg will also give \$15m to set up an Institute for School Reform at Brown University. The rest of the gift will be channelled through other educational organisations.

President Bill Clinton, who has been pressing for legislation to set national educational standards, said the gift "could not have come at a better time".

Educators have expressed growing concern about the difficulties of teaching in schools whose students routinely carry guns and knives. Many inner city schools have set up metal detectors to screen students.

One recent study showed that 100,000 students bring guns to

Six directors of Frankfurt-based conglomerate lose jobs

By David Waller in Frankfurt

The dazzling career of Mr Heinz Schimmelbusch as chief executive of Metallgesellschaft came to an ignominious end yesterday when he was sacked as head of the Frankfurt-based conglomerate.

Mr Schimmelbusch, a charismatic Austrian businessman, built the company into one of Germany's largest industrial groups. Together with Mr Meinhard Forster, the group's finance director, he was ousted following a meeting of Metallgesellschaft's supervisory board. The meeting was convened to examine the mounting problems of MG Corp.

the group's US-based trading subsidiary, which have triggered a liquidity crisis in the company as a whole.

Mr Schimmelbusch and Mr Forster were sacked on the grounds that they had failed to keep the supervisory board informed of developments at MG Corp. and they have acted in breach of German corporate law. Four other directors left the management board after reaching agreement with the supervisory board.

Mr Kajo Neukirchen, a former chief executive of the Hoesch steel group, who has a reputation in Germany as a tough restructuring specialist, was appointed as

Mr Schimmelbusch's successor with immediate effect. Four further new directors were appointed, three from outside the Metallgesellschaft group.

The forced personnel changes are highly unusual for so large a German company, bearing witness to the gravity of the problems at MG Corp.

Last week Metallgesellschaft was forced to turn to its bankers to negotiate new credit lines after MG Corp was obliged to make large "margin payments" - cash calls - on oil futures contracts taken out in New York. Last

Continued on Page 24
Lex, Page 24

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Kohl's health plan rejected by Bundesrat

By Judy Dempsey in Berlin

Chancellor Helmut Kohl's efforts to push through reforms aimed at financing care for the aged failed yesterday, when the reforms were rejected by the Bundesrat or upper house.

The reforms, aimed at shifting the burden of old age health care away from local councils on to enterprises, were defeated by the opposition Social Democrats, who form the majority in the Bundesrat. Another joint commission - the third so far - is expected to be set up in January to work out a new proposal.

Mr Friedrich Bohl, head of the Chancellery, said the government was "very disappointed" with the result, and accused the SPD of blocking necessary help for the 2m people dependent on nursing. Full time nursing, which costs about DM5,000 (£1,950) a month, is financed by the municipalities, many of which are running large budget deficits.

Mr Kohl, and Mr Norbert Blum, the labour minister, had pledged to introduce reforms before next year's state and federal elections to win the votes of the elderly.

The reform measures came unstuck after SPD officials representing the Länder, or states, challenged the way in which employees would have to finance the reforms.

The government had intended to seek contributions



Kohl: reforms were aimed at financing care for the aged

of 1 per cent a month starting from 1994, and 1.7 per cent after 1996, which would be shared equally by employees and employers.

But employers were sharply critical of the measures, saying they would further reduce Germany's competitiveness by raising wage bills for industry. At the insistence of the Free Democrats, the junior partners in the coalition, a plan was tabled for compensating employers through a cut in official holiday pay by 10 per cent from next year, and 20 per cent in 1996, or through the scrapping of first one day of holiday, and then two, by 1996. However, SPD deputies - and the trade unions - rejected both the compensation arrangements, and the level of employee contributions.

Anger at steel subsidy scheme

By Ariane Genillard in Bonn and Judy Dempsey in Berlin

Mr Ruprecht Vondran, president of the German Steel Federation, yesterday sharply denounced the steel subsidy package agreed by European Union industry ministers, as "pure window dressing for the gullibles", and predicted dire consequences for Germany's private steel makers.

The deal, which will allow a series of state aids for public-sector steel producers in east Germany, Italy, Spain and Portugal, worth nearly Ecu7bn (£5.3bn), also sets capacity cuts of over 5m tonnes.

Referring to yesterday as "a black Friday for the private steel industry in Europe", he accused the EU of "once again handing out subsidies to ailing state-owned steel makers at the expense of the taxpayers".

"Capacity cuts will be made on paper only. In return the Italian and Spanish steel producers will receive billions in subsidies", Mr Vondran said.

Private steelmakers in Germany argue that capacity cuts offered by Spain and Italy do not correspond to current output levels. Moreover, they add, subsidies will give a competitive edge to state-owned steel companies at the expense of the private sector. They warn this will force private steel companies to further cut

capacity and lay off tens of thousands of steel workers.

"The politicians, including the German government, must decide if they are willing to have an efficient German industry destroyed by the industrial policies conducted in other European capitals," he said. Mr Vondran also accused Bonn of betraying German private steelmakers by winning approval for subsidies for Ekostahl, the steel plant in eastern Germany.

The Treuhand privatisation agency, which runs Ekostahl, welcomed the decision and said, "It paves the way for restructuring the steel mill."

The Treuhand, backed by Mr Günter Rexrodt, Germany's economics minister, had for the past nine months lobbied European Union countries to support subsidies totalling DM1bn (£393m) to modernise the plant in the eastern state of Brandenburg.

Officials at the agency last night insisted that the subsidies would make Ekostahl more competitive, and would not be "indefinite". They added that the agreement was expected to restrict production to 900,000 tonnes of raw steel a year until 1999, when output can then be raised to a maximum of 1.7m tonnes a year.

Officials added that the Brussels decision was likely to speed privatisation of the mill.

EU and US agree oilseeds deal

European Union farm ministers yesterday hammered out a deal on implementing an oilseeds accord with the US in an all-night session at the end of a five-day meeting. Reuter reports from Brussels. The oilseeds pact was part of a wider deal to cut farm subsidies struck in Washington more than a year ago. It restricts EU production of sunflowers, rapeseed and soybeans.

French economy picking up

The French economy will grow by 0.2 per cent in the first three months of 1994 and by 0.4 per cent in the second quarter, Insee, the government statistics agency forecast yesterday. David Buchanan reports from Paris. This is a slight increase from the 0.1 per cent expansion that Insee forecasts for the current quarter.

German potash merger approved

More than DM900m (£317m) will be invested in eastern Germany's potash industry after the EU approved a merger with a western German company, Kali & Salz, a subsidiary of BASF, writes Judy Dempsey from Berlin.

VW renews Skoda pledge

The Czech government and Volkswagen, the German vehicles group, yesterday partially reversed their dispute over VW's investment plans for its joint venture with Skoda, writes Patrick Blum from Vienna. Officials said VW reaffirmed that it would raise its stake in Skoda from 31 per cent to 70 per cent by the end of 1995 as planned, but investment would be reduced to DM3.7bn.

Ukraine tries economic plan No.8

Ukrainian MPs yesterday approved the government's latest economic plan, the eighth in two years, aimed at bringing the economy under control and cutting 70 per cent a month inflation, writes Jill Barsby in Kiev.

Government contracts to be opened up

By David Dodwell in Geneva

Government contracts worth hundreds of billions of dollars are to be opened to international competition for the first time following agreement on government procurement concluded this week in Geneva in parallel with the Uruguay Round talks on global trade liberalisation.

The agreement, which will cover both national and state-level government contracts, as well as utilities such as water and electricity, will expand tenfold the coverage of contracts open to international bidding, according to staff at the General Agreement on Tariffs and Trade.

Four former Soviet republics - Armenia, Latvia, Moldova and Ukraine - are to negotiate entry to the General Agreement on Tariffs and Trade, bringing to 19 the number of countries in the queue to join the 114-member world trade body, writes Frances Williams in Geneva.

The agreement, finalised this week, will apply to the 12 European Union member states, and 11 other countries ranging from Japan, Hong Kong and Korea to the European Free Trade Association countries, Canada and the US. It will come into force at the beginning of 1996.

Under the agreement, foreign suppliers must be given no less favourable treatment in government procurement than national suppliers.

This will involve clear rules on how to tender; no use of technical specifications simply to block outside bidders; clear information on how bidders qualify; proper notice of invitations to tender; providing tender documents to potential suppliers; and full information afterwards on who won a contract and on what terms.

The US and the European Union have been at loggerheads over procurement contracts since early this year. A

breakthrough occurred in May, when negotiators agreed to hived off the telecommunications sector from the procurement package. Talks on a separate telecommunications agreement aim to reach a deal by early 1996.

The US has consistently claimed that it is more generous in the government contracts it opens to international bidding. In 1990, it says bidding opportunities worth \$16.8bn (£11.3bn) were offered to EU

contractors - more than twice the \$7.8bn offered by EU governments in the same year. The EU has replied that new EU procurement rules linked with creation of the European single market have massively increased the contracts open to foreign bidders since 1990. They have complained about US reluctance to include state-level procurement business, much of which is protected by "Buy America" acts, within the scope of the agreement.

They have also fought to include contracts from private-sector companies, such as water and power companies, which operate as effective monopolies. In many European countries, these are state-

owned, and fall under the government procurement accord. After a long dispute over thresholds above which tenders must be open to international bidding, the agreement sets a floor of SDR 130,000 (£121,000) for central government purchases of goods and services; SDR 200,000 for state or sub-federal bodies; SDR 400,000 for utilities; and SDR 5m for construction contracts.

In response to fears that aggrieved bidders would not be able to challenge an award they regarded as suspect, governments have agreed to put domestic procedures in place to mount challenges, and obtain redress.

Serbs to vote as economy crumbles

Laura Silber on the hardships after three years of war and 19 months of UN sanctions

Journalists from Television Serbia are already toasting the victory of Serbia's ruling Socialist party ahead of tomorrow's parliamentary elections, so confident are they of another victory for their sponsors.

Their confidence may be misplaced. All the indications are that the opposition are more popular and have run a better campaign.

Recent opinion polls indicate that opposition parties, notably DEPOS, the opposition coalition led by Mr Vuk Draskovic, the ultranationalist Radicals of Mr Vojislav Seselj, and the centrist Democratic party could pose a challenge to Socialist majority rule.

But, after three years of war and 19 months of sanctions, Serbia has turned into something of a never-never land and the results of opinion polls are rarely borne out by the votes recorded.

"Under normal circumstances, the opposition would be a sure winner, but here nothing is as it seems," said a western diplomat, reflecting on whether the Socialists would, for the third time since the first multiparty elections in 1990, succeed in capturing 180 of the 250 seats in the Serbian parliament.

As if oblivious to the rapidly deteriorating economy, a monthly inflation rate of 450,000 per cent and an average wage of £1.50, the Socialists' message ahead of the polls has been that President Slobodan Milosevic has achieved Serbia's national goals and that only he can now secure a Greater Serbia.

But, picking through rubbish bins, dispensing with colourful dinar notes too worthless even



An aged woman displays her worthless pension cheque while waiting for free food in Belgrade yesterday, two days ahead of parliamentary elections in Serbia. Hyperinflation and high unemployment have pushed many people to the brink of starvation

to bother collecting, the inhabitants of Belgrade appear more concerned with economic than with national salvation.

In the conviction that Serbs have won the war in Croatia and Bosnia, they are preoccupied with how to survive.

The opposition has focused on this preoccupation and pitched its campaign at countering the economic chaos, accusing the government of plunging Serbia's 7.1m voters into drastic impoverishment.

While the Socialists blame the economic situation on the UN sanctions, imposed for Serbia's violent carve-up of

Bosnia, the opposition is charging that Serbian leaders have used the sanctions to fatten their own foreign bank accounts.

Pitching for the moral high ground with slogans such as "posteno", Serbo-Croat for honesty, the opposition has run a seasoned campaign.

They have criticised Mr Milosevic for giving criminals free rein over Serbia, by way of reference to Mafia boss, Mr Zeljko Raznatovic, alias Arkan, the paramilitary leader who has formed a satellite party of the Socialists in a bid for the extremist vote.

In the hope of deflecting the Socialists' usual charges of treachery, they have also played the nationalist card. "Sarajevo, Mostar, Benkovac, Pakrac, that is Serbia," pledged a charismatic Mr Draskovic, referring to cities in Bosnia and Croatia.

But they have been able to do little to counter the Socialists' iron grip of the media.

Nor may they be in a position to counter the Socialists' penchant for electoral manipulation and fraud: the virtually unknown party of the Associated Left, led by the wife of Mr Milosevic, has been

accused of being a possible funnel for stolen votes.

And, even if the opinion polls are borne out and the Socialists lose their majority, Mr Milosevic seems unlikely to bow to the results.

He may allow the opposition a few months in which to cope with the economic deluge, before calling new elections, or, if really pressed, he could declare a state of emergency and cement his grip on all institutions in Serbia.

Whatever the result, the election is unlikely to have furthered the cause of democracy in Serbia.

Yeltsin in bid to appease opponents

By Leyla Boulton in Moscow

Russian President Boris Yeltsin yesterday displayed signs that he plans to opt for compromise with conservatives following the electoral setback for reformists at the hands of ultra-nationalists and communists.

In a gesture to the state-owned industry and agriculture lobby, he signed a decree re-introducing subsidised loans for producers of agricultural machinery, which, along with such lending at rates well below inflation, were supposed to have been phased out earlier this year.

In an attempt to pre-empt the crackdown on law and order which will almost certainly be demanded by the new parliament, he issued a decree promising tough new border controls, including the checking of identification papers and of asylum requests.

Close aides to Mr Yeltsin have already advised him to try to beat Mr Vladimir Zhirinovskiy, the neo-fascist who wants to be Russia's next president, at his own game, for instance by taking the lead on law and order.

On foreign policy, Mr Andrei Kozyrev, the foreign minister,



Yeltsin: re-introduced subsidised loans for farm machinery

has said that Baltic republics should help Moscow improve the lot of Russians on their territory to counter support for extremist politicians such as Mr Zhirinovskiy, who has promised to defend Russians everywhere.

In an attempt to appear to be dealing with hidden unemployment which has not yet translated into open job losses, Mr Yeltsin also restricted Russian companies' ability to hire labour from former Soviet republics and further afield.

Saying that Russians should have priority access to vacant jobs, the decree said companies must pay the equivalent of the minimum monthly wage for work permits.

Employees without work per-

mits are to be deported.

At the same time, there were some small gifts yesterday for the reformist camp, which is still waiting for the president to express his support for radical reform.

Mr Yeltsin issued a decree saying that the central bank had to obtain the consent of the finance ministry to license banks to conduct operations involving gold.

The ministry is headed by Mr Boris Fyodorov, the radical who wants to unseat the central bank chief.

Also, no doubt with the support of Mr Yeltsin, the government yesterday approved a programme to continue privatisation in 1994, although details were not available.

European plan to cut ethylene capacity fails

By Paul Abrahams

Efforts to restructure Europe's petrochemicals industry were in disarray last night after plans to close as much as 2m tonnes of ethylene capacity collapsed.

The sector is plagued by massive overcapacity of ethylene, the basic building block of plastics, and is losing hundreds of millions of dollars a month.

The plan had involved creating a DM550m (£216m) fund based on a levy of DM30 per tonne of installed ethylene capacity.

Groups wanting to close plants would then have to bid for part of the fund in return for shutting down capacity.

The Association of the Petrochemical Producers in Europe said the plan had collapsed because not enough capacity had been put forward for closure and some of its 31 members were not prepared to put money into the fund.

It said a substantial majority were in favour, but unanimity could not be reached.

Mr Jean-Marie Devos, secretary general of Cefic, the European chemical industry's trade association, said: "We would have gone ahead in spite of some companies refusing if there had been bids to shut

substantial amounts of capacity."

An APPE survey asked ethylene producers how much they wanted to close permanently through the fund.

"The survey indicated we couldn't reach even the minimum threshold," said Mr Devos. This is thought to have been 1.5m tonnes.

Operations that may have been available for closure include BP Chemicals' plant at Baglan Bay, BASF's 160,000-tonne-a-year plant at Ludwigshafen, a complex at Luena in eastern Germany, and two EniChem plants at Gela and Porto Torres.

The APPE said that it would be continuing to develop other proposals to restructure the industry, which employs 600,000 people directly.

BP Chemicals, the driving force behind the plan, said it was surprised and disappointed by the decision not to proceed with restructuring.

"We regret a major opportunity to restore structural competitiveness to the European petrochemical industry has not been seized at this stage."

The company added that producers should take individual measures and that it was launching a detailed review of its own operations.

Italian Socialist party splits

By Robert Graham in Rome

Italy's 100-year-old Socialist party has split, with the majority opting to form a new movement with a different name and symbol.

The majority 58 per cent has backed the leadership of former trades unionist Mr Ottaviano Del Turco, who took over the running of the party in May. He has now been given full powers to call a special meeting on January 15 to establish the new movement.

The minority is made up of faithful supporters of Mr Bettino Craxi, the former party leader who was obliged to step down in February as a result of his involvement in the corruption scandals.

The split followed a stormy meeting held throughout Thursday in a Rome hotel, during which Mr Craxi and Mr Del Turco traded insults. It marks the end of more than three decades in which the Socialists have played a central role in Italian politics; and it is the first time since 1978 that Mr Craxi, the party's all-powerful boss, has found himself in a minority.

The break-up of the party has been expected for some time in the wake of the discredit caused by the corruption scandals and the divergent behaviour of Mr Craxi. Although the party won



Craxi: quit after involvement in corruption scandals

almost 14 per cent of the vote in the 1992 general elections, at the latest local elections it mustered less than 2 per cent. The Del Turco-led majority is now likely to seek an alliance on the left.

To underline the impact of the corruption scandals on the party's demise, Mr Craxi yesterday appeared in court to give evidence in the trial of Mr Sergio Cusani, who acted as an intermediary for the Socialists in the business world.

He admitted that the entire system had been riddled with corruption and that his and other parties had taken illicit contributions.

However, he refused to give any details of his personal involvement or to admit he had taken any money for his own use, as he has been accused of doing.

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مكتبة الامم

Islamic party sets terms for Algeria talks

By Francis Gahies

The banned Algerian Islamic Salvation Front (FIS) yesterday set out its conditions for opening talks with the government in an attempt to end the civil conflict which has cost more than 3,000 lives in two years.

The offer, which could open the way to direct negotiations, came a week after General Mohamed Touati, one of the country's most respected military leaders, said on state television that the government would consider "talking to leaders of the FIS who show respect for the law of the land".

The FIS was banned after appearing to be on the verge of winning parliamentary elections in January 1992.

Mr Rabah Khelil, the FIS spokesman who took refuge in Germany last year, said at a press conference in Bonn that his party insisted on five conditions being met before it would agree to talk to the government.

These were: the freeing of all political prisoners; the repeal of laws passed under emergency rule; the establishment of a "free and independent" political, religious and judicial system; the bringing to trial of those "responsible for recent bloody and murderous acts"; and any talks would have to take place in a neutral country to be chosen by both sides, he said.

Mr Khelil condemned the murder of 12 Croats on Tuesday near Algiers and said that the FIS "was not behind such calls for murder". He added:

"The Algerian people and the FIS have nothing against foreigners who are welcome in Algeria if they want to co-operate with the people." He also warned that a lot of what was happening in Algeria was outside the control of FIS and could lead to revolution.

Responsibility for the 23 murders of foreigners over the past three months has been claimed by two other radical Islamic factions, the Groupe Islamique Arme and the Takfir wal-Hijra.

General Touati, whose televised statement may have provoked the FIS offer, is a member of the eight-man National Committee for Dialogue, an organisation set up in the autumn with the aim of bringing all parties to the negotiating table.

Secret contacts have recently taken place between members of the committee and FIS representatives. But General Touati's offer was the first acknowledgement by a senior military commander that the outlawed FIS represents a political constituency which cannot be ignored.

Other parties, such as the moderate Islamic Hamas, the lay Front des Forces Socialistes and the former ruling Front de Liberation National party, have been urging the military to extend a hand to FIS. They argue that it is the only way for Algeria to avoid a slide into civil war.

Armed police yesterday rounded up dozens of men after mass Muslim prayers at two Algiers mosques frequented by fundamentalists, witnesses said.

Dawkins' announcement greeted with surprise in political and financial circles



BOWING OUT: Paul Keating addresses parliament yesterday after the announcement by John Dawkins (left) stunned MPs

Australia's treasurer quits unexpectedly

By Nikk Tait in Sydney

Mr John Dawkins, the Australian treasurer, yesterday astonished both the political and financial markets by saying he was resigning.

Mr Dawkins' announcement in the House of Representatives at the close of the year's parliamentary sittings had not been foreshadowed by any immediate controversy. Only hours beforehand, he had been detailing next year's budget process to parliament.

The treasurer's position had appeared shaky during the late summer, when the Keating government's budget was stalled for two months in the senate by minor parties who hold the balance of power there. But Mr Dawkins - once one of the closest political associates of Mr Paul Keating, the prime minister - weathered this storm, and recently won support from both the cabinet and the minor parties for a revised budget process.

By bringing the budget date forward to May, and seeking to have bills passed by end-June, the government hoped to avoid similar debates in the future.

The 48-year-old treasurer said yesterday he was resigning at a time of his own choosing. "It's a time which I think... is the right time for me... to pursue other interests - what I don't know."

Mr Dawkins added that he had informed Mr Keating of his desire to move to the back benches "as a step to leaving parliament at some time between now and the next election". He holds the Fremantle seat in Western Australia.

The prime minister's office said the successor would not be announced until next year, and Mr Dawkins would continue as treasurer until then. Mr Keating, addressing parliament shortly after Mr Dawkins' announcement, added: "I will miss him and I will miss him very much from cabinet."

Mr Dawkins has been in parliament for 20 years and was one of Mr Keating's staunchest supporters during the Labor party leadership battle in 1991. However, the relationship

between the two men is thought to have been affected by Mr Dawkins' poor handling of the summer's budget crisis.

At the height of those troubles, Mr Dawkins incautiously remarked: "Whenever it becomes necessary for me to leave Fremantle [where his family lives], get on a plane and come to Canberra, the prospect of political retirement does well in my mind." This led to a frenzy of resignation gossip, although the possibility was denied at the time.

Nevertheless, suspicions that Mr Dawkins lacked the inclination and political addressness to deal with the difficult senate lingered. It was noted then, for example, that he had bought land in South Australia, possibly with a view to establishing a winery, and that he and his wife were expecting their first child, who was subsequently born in late October.

Mr Dawkins, who holds an economics degree from the University of West Australia and was trade minister during the mid-1980s, has been a fervent believer in Australia's need to develop a more export-oriented economy. He has come under fire recently from unions and the Labor party caucus for putting more emphasis on the budget deficit than on social issues such as unemployment.

Yesterday, news of his resignation sent the Australian dollar down from about US\$0.6745 ahead of the announcement to about US\$0.67, although some dealers suggested that this was a knee-jerk reaction, and that the currency could stabilise if investors concluded that the reasons for Mr Dawkins' departure were largely personal.

Speculation over Mr Dawkins' replacement began immediately. Front-runners include Mr Ralph Willis, the finance minister who held the treasurer's job briefly under Mr Bob Hawke's administration; Mr George Gear, the assistant treasurer; Mr Bob McMullan, the arts and administrative services minister; and Mr Laurie Brereton, who is industrial relations minister and a close colleague of Mr Keating.

Toshiba penalised for breach of Cocom rules

By Robert Thomson in Tokyo

Toshiba, the Japanese electronics company, has been barred by the Japanese government from exporting semiconductors to 27 present and former communist nations for one month after admitting that it violated the regulations of the Co-ordinating Committee for Multilateral Export Controls.

The case arose after documents from the former East Germany were uncovered by the Japanese media, forcing the Ministry of International Trade and Industry to investigate Toshiba's alleged exports of leading-edge semiconductor equipment from December 1986 to February 1987.

Miti officials said Toshiba exported masks and 150 silicon wafers to East Germany, as well as providing documents detailing the production of advanced memory chips. The case is embarrassing for the Japanese government, which claimed that it maintained tight controls over exports of strategic technologies.

However, Miti's punishment is relatively lenient, as the 27 countries include Mongolia, Vietnam and North Korea, none of which is a leading importer of Japanese semiconductor products. China is the only significant market temporarily closed to Toshiba.

Miti officials also reprimanded Mitsui, the trading

house, which was involved in collecting payments for the deal. As is customary in such cases, Mitsui said its employees had acted without authorisation, and that two officials had been reprimanded.

The Japanese government has imposed penalties in 10 cases of Cocom violations, and Miti said the export ban imposed on Toshiba was thought appropriate because the status of limitations had expired for a criminal action against the company. Toshiba estimates that its semiconductor exports to the 27 countries in an average month total ¥1.6bn (£10m). Total exports of chips this year will be around ¥280bn.

Bentsen seeks to fend off rate rise

By Michael Prowse in Washington

Mr Lloyd Bentsen, the US treasury secretary, yesterday said there was no need for the Federal Reserve to raise interest rates because inflationary pressures were under control.

He spoke as figures from the Commerce Department confirmed a strong recovery in US house building.

Housing starts rose 3.9 per cent in November to a seasonally adjusted annual rate of 1.43m, the highest level in nearly four years.

Building permits - a guide to future construction trends - also rose sharply last month, suggesting the housing market will remain buoyant.

The figures for starts are the latest in a series of robust economic statistics pointing to an acceleration of economic growth to an annual rate of about 4.5 per cent this quarter.

The faster growth has prompted calls for tighter monetary policy to prevent inflation creeping higher next year.

Mr Bentsen said slack labour markets and excess industrial capacity had created a favourable inflation outlook. Earlier this week President Bill Clinton told the Fed it would be a "mistake" to raise rates.

Many economists believe the pace of economic growth will decline to about 3 per cent early next year because consumer spending has run ahead of personal incomes.

Senegal in 'debt for children' swap

By Leslie Crawford

A Dutch aid organisation has bought \$24m of Senegalese foreign debt and converted it into projects for women and children in the west African nation.

The Netherlands Unicef Committee cancelled Senegal's entire bilateral debt with Argentina in a buy-back operation managed by Internationale Nederlanden Bank NV (ING Bank).

In return, the government of Senegal has agreed to invest \$11m (£7.3m) in Unicef projects ranging from child

immunisation programmes to the education of street children in Dakar.

The debt-for-children swap was first proposed by President Abdou Diouf of Senegal in 1990.

Since then, debt conversions have benefited children in Madagascar, Jamaica and the Philippines.

"The debt conversion has reduced Senegal's overall debt burden while releasing extra resources for the country's women and children," said Mr Samir Sobhi at Unicef's office in Dakar.

Tokyo comes to the aid of over-the-hill 40-year-olds

By Robert Thomson

The Japanese government plans to increase substantially its wage subsidies for middle-aged employees, who are the target of most companies' attempts to reduce costs by cutting jobs.

Labour Ministry officials hope to safeguard as many as 1m jobs under the scheme, under which the government will provide subsidies for the wages of employees transferred to lower-paid positions and provide incentives for companies willing to take on workers 45 years or older.

Japanese companies traditionally transfer older employees to affiliates or subsidiaries during an economic downturn, but cases are on the rise of group companies refusing to accept these employees, claiming that they, too, need to reduce labour costs.

The trend is a challenge to the traditional system of lifetime employment among leading companies, and the government fears that an increase in the unemployment rate, now 2.7 per cent, would further undermine consumer confidence, which is already shaky.

To support the labour market, the ministry is expected to spend ¥326bn (£2.05bn) or three times the amount spent during the downturn in the mid-1980s.

The final figure will however be decided by the Finance Ministry during negotiations for the budget for the year beginning in April.

The government will subsidise a quarter of the wages of older workers at larger companies and a third of the wages at smaller companies, and lower the age limit for the subsidies from 55 years to 45 years.

Palestinian peace negotiations falter again

By David Horowitz in Jerusalem and David Buchan in Paris

The planned meeting in Cairo next week between Israel's prime minister, Mr Yitzhak Rabin, and the Palestine Liberation Organisation chairman, Mr Yasser Arafat, intended to resuscitate the deadlocked Israeli-PLO negotiations, is almost certain to be postponed to January 6 or later, Israeli officials said yesterday.

The Cairo meeting, tentatively scheduled for December 22 or 23, was agreed on by the two leaders as a last resort after talks last Sunday failed to resolve differences holding up the start of Palestinian self-rule in the Gaza Strip and the Jericho area of the West Bank.

Originally, Israeli troops

were to begin pulling out of the Gaza and Jericho areas last Monday. And although both Mr Arafat and Mr Rabin said after their abortive meeting that a delay of 10 days in finalising the precise details of an Israeli-PLO autonomy agreement would not be too damaging, another delay could only weaken the diminishing support on both sides for the peace process.

In the past 24 hours, several Israeli officials involved in the negotiations have given off-the-record briefings indicating that central issues still remain to be resolved, and that the start of the troop withdrawal may have to be put off for several weeks.

One senior military figure, quoted in the Ha'aretz newspaper yesterday, said there was no chance of wrapping up the final autonomy deal within 10

days or even 20. And the longer the signing was put off, he added, the harder it would be for Israel to honour the next scheduled autonomy deadline - completing the military pull-out by April 13.

Israeli and PLO officials are continuing to hold private contacts in an effort to agree the size of the Jericho autonomous area, and to resolve the issue of border controls. Mr Arafat has been insisting that the crossing points from Gaza into Egypt and from the Jericho region into Jordan be managed exclusively by Palestinians. Mr Rabin rejects this as prejudicial to Israeli security.

Meanwhile, an opinion poll published yesterday by the Centre for Palestinian Research showed a marked decline in support for the autonomy programme among

Palestinians, with 41.5 per cent backing the accord, compared to 64.8 per cent three months ago. A survey among Israelis, published by the Ma'ariv daily, showed 64 per cent believe a final autonomy deal will eventually be reached.

Foreign governments have pledged \$570m in aid to the Palestinians next year, but insisted that any use of this to meet start-up costs of the fledgling Palestinian administration must be properly monitored.

At the first meeting in Paris of the World Bank's consultative group for the West Bank and Gaza Strip, Mr Abu Ala (Ahmed Qurie) pressed donors to allow some of their aid to be used to fund current costs of the Palestine Economic Council for Reconstruction and Development, which he chairs,

and other new Palestinian institutions, as well as capital investment in aid projects.

The World Bank backed his argument, with its vice president for the Middle East, Mr Carlo Hoch-Weser, asking donors to be "flexible" in the difficult start-up phase of Palestinian self-government. He said: "We are assuming that all tax receipts, direct and indirect, in the territories will be transferred to the Palestinians." But initially the latter might have difficulty without foreign aid in covering salary costs.

Mr Abu Ala's aid it was as much in the Palestinian self-interest as in the interest of foreign donors that there should be "transparency" in the spending of international aid. However, he seemed to define recurrent costs more broadly

than the Bank and donors to include "social costs, such as the rehabilitation of prisoners."

The European Union, which together with national donations from its 12 states is the biggest contributor to the \$2bn (£1.3bn) fund for the Palestinians, had promised to meet some administrative running costs, Mr Hoch-Weser said. He was confident that other donors would do the same. International auditors would be brought in to monitor the aid.

Mr Abu Ala, who earlier held talks with Mr Shimon Peres, the Israeli foreign minister, in Paris, acknowledged that the delay in reaching full agreement on implementing the September peace accord would have a "real impact" on economic development plans.

NEWS IN BRIEF

GM to pay back pick-up owners

A federal judge in Philadelphia has approved a legal settlement involving six million pick-ups made by General Motors between 1973 and 1987, AP-DJ reports from Detroit. The settlement requires GM to give \$1,000 coupons to owners of GM pick-ups with side-mounted fuel tanks. The coupons can only be used to buy GM trucks, most of which have profit margins greater than \$1,000. Analysts say the settlement will increase GM's profits.

Safety critics intend to appeal against the settlement, which covers 49 states. In Texas, a separate settlement was reached. The settlements in Texas and in Philadelphia end more than 20 separate suits seeking compensation for owners of GM pick-ups with side-mounted tanks. The federal government says the pick-ups are more likely than comparable vehicles to erupt in flames when hit from the side.

Banks agree Brazilian debt plan

Banks holding 96 per cent of Brazil's \$52bn debt have agreed to a debt restructuring plan, reaching the 95 per cent critical mass at which the deal can go ahead, Mr William Rhodes, vice-chairman of Citibank, said, George Graham reports from Washington.

Brazil still needs the approval of the International Monetary Fund for its economic restructuring programme, but Mr Rhodes said he believed this could be achieved in the next 90 days, allowing the debt restructuring plan to go into effect on April 15.

US tries again on Haiti

A military delegation will next week make another attempt to persuade Haiti's army and police leaders to accept the return of a United Nations mission paving the way for a return to democracy, writes George Graham. The delegation is being sent by the US, France, Canada and Venezuela, the "four friends" who have taken the lead in the international community's response to the Haitian crisis.

Although Clinton administration officials yesterday firmly denied newspaper reports that the US was on the point of abandoning efforts to restore ousted President Jean-Bertrand Aristide to office, they acknowledge that, after the collapse of acting prime minister Robert Malval's attempt to call a new political conference, they have few ideas on how to speed the process, other than waiting for the oil embargo against Haiti to bite.

Argentine forces quell riot city

Argentine government security forces yesterday retook control of the north-western city of Santiago del Estero, where rioters on Thursday burned down public buildings, ransacked the homes of local politicians and looted shops, writes John Barham in Buenos Aires.

In the worst rioting Argentina has seen since hyperinflation gripped the country in 1989, about 6,000 public employees took to the streets in protest at unpaid wages and plans to eliminate government jobs.

Officials said six were killed, 120 treated in hospital and 170 arrested.

President Carlos Menem returned yesterday to Buenos Aires, cutting short a visit to the Vatican. Congress voted to dissolve the provincial government and authorised the federal government to appoint an administrator to run the province for five months. The government sent the province \$60m to pay wages.

Like nearly all Argentina's 23 provinces, Santiago del Estero's public sector is the largest employer and relies heavily on federal transfers for its spending.

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Nissan offered deal in sports stadium row

By Chris Tighe

Sunderland Football Club has challenged Nissan to drop opposition to its plans for a £70m sports, entertainment and conference centre on land near the company's £300m car plant.

In a sharply worded letter to Mr Ian Gibson, managing director of Nissan Motor Manufacturing (UK), Sunderland AFC offers Nissan:

- A seat on the club board.
- The opportunity to buy a "substantial" shareholding in the club.
- The chance to become co-promoter of the leisure complex.
- All additional roads "reasonably" required by the company to be incorporated into the scheme at no cost.
- Moving the site for the leisure development slightly to the west - on condition Nissan

makes a public commitment to expand on to the site previously earmarked by the club within a guaranteed period, buys the 120-acre site freehold and makes up any funding shortfall arising from the scheme's move.

The football club board also offers "to visit Japan" to achieve a satisfactory conclusion.

Nissan is opposing the plan because it fears traffic congestion from the 40,000-seat stadium, 12,000-seat indoor arena and 11,000-space car park would jeopardise just-in-time component deliveries to its plant, wrecking production schedules.

It has also argued that the choice of site would block its expansion prospects.

The club's letter claims to reconfirm its "aim of accommodation and compromise" and insists it never wanted confrontation. But it also warns: "Unless Nissan feel they can single-handedly drive the regeneration of the region by themselves, they must accommodate the ambitions and aspirations of others within the north-east who wish to drive the region forward on both a national and European basis."

The club says it has received many letters from people who fail to understand Nissan's objections. "People consider

that your actions have put at risk the enormous number of permanent new jobs, linked to the vast investment in the Regional Centre which would bring the north-east," the club says. It also questions why, if Nissan might need the land, it has not bought it.

Yesterday the company, which employs more than 4,000 people at Sunderland, reacted trenchantly to the letter. "It adds nothing to what we

already know," it said. "Nissan has no interest in branching out into the leisure industry. We are motor manufacturers."

It described the conditions attached to the proposed move of site as "a nonsense".

The club, which has declined to name its backers for the complex, is heading for a £1m loss this year. Its planning application will be considered by Sunderland City Council in the new year.

Swan Hunter set for subsidy

Swan Hunter, the Tyneside shipbuilder in receivership, looks set to become eligible for Intervention Funding subsidy, improving its prospects of finding a buyer, Chris Tighe writes.

A meeting in Brussels yesterday of European Union heads of cabinet - senior civil servants - agreed to recommend to next Tuesday's meeting of the EU's 17 commissioners that the Tyneside yard should become eligible for the 9 per cent merchant order subsidy, which would be paid by the UK government.

It is thought to be unlikely that the commissioners would overturn a recommendation by their senior aides.

The news was welcomed by Mr Ed James of receivers Price Waterhouse. "It's not a guarantee of a buyer but it clearly enhances the prospect for the yard to win new work," he said.

Bankers to visit south-east Asia

Mr Kenneth Clarke, the chancellor, is to lead a party of top UK bankers to south-east Asia later this month to try to help the financial services industry expand its presence in the region.

The tour of about two weeks will start the week after Christmas and take in Hong Kong, the Philippines and Indonesia.

Major rejected appeal on BCCI

Mr John Major has turned down a direct appeal from a Labour MP to intervene in bringing about a settlement for creditors of Bank of Credit and Commerce International, saying it is for the collapsed bank's liquidators to decide how best to proceed.

In a letter to Mr Keith Vaz, Labour MP for Leicester East, dated November 23 and released by Mr Vaz yesterday, the prime minister recognises that an October decision by the Luxembourg courts is likely to lead to "a considerable delay".

Planning fee law to be changed

The government announced yesterday it intends to legislate to allow local authorities to set their own fees for planning applications. Fees will increase by 15 per cent from January 13 and a further 15 per cent from January 1995.

Planning minister Mr David Curry said the increases "represent another important step towards applicants meeting the full costs incurred by local planning authorities in determining planning applications".

National Savings contribution up

National Savings contributed £443m to government funding in November, up slightly from £435m in October. There were gross sales of £1,050m, repayments of £801m, and accrued interest of £182m.

Savings rates are reduced by Woolwich

By Alison Smith

Woolwich Building Society, the UK's third-largest, yesterday became the latest society to reduce its savings rates. From tomorrow most of the 4m people who save with the Woolwich will find that the interest rate they receive is cut by 0.41 percentage points.

With few exceptions the largest lenders have now set out their stalls for both mortgage and savings rates in the wake of the pre-Budget 0.5 percentage point cut in base interest rates.

It has given them the opportunity - taken by almost all - to widen their margins by passing on to borrowers a lower rate cut than the reduction in savings rates.

All will also gain a short-term benefit from the time lag - usually two to four weeks - between the new, lower rates applying to investors and those applying to existing borrowers.

Halifax building society, the UK's largest, cut its base mortgage rate by 0.35 percentage points for existing borrowers from the turn of the year, and its saving rate by 0.5 percentage points for most savers from last Wednesday.

That gap of about 0.15 percentage points is reflected in the changes made by other societies, although Nationwide, the second largest, had a wider spread, cutting its mortgage rate by 0.25 percentage points and its rates for most savers by 0.5 percentage points.

This chance to widen margins is far smaller than the

opportunity presented by the sharper interest-rate cuts last autumn, after sterling's departure from the European exchange rate mechanism.

But the building societies are still likely to face accusations that they are not treating their members fairly.

Mr John Wrigglesworth, housing analyst at UBS, said that building societies needed to widen their margins to make up for the fact that the returns they were achieving on their free reserves was also declining as interest rates fell.

He said: "They're running as hard as they can to stand still."

The pressure to reduce margins over next year will come not from MPs or ministers but from competition.

Societies have been squeezed both on lending and borrowing. They have lost the market share of mortgages to banks, and face an intensifying struggle to retain their personal savers.

Although sounding reasonably relaxed about the cuts in National Savings - rates announced on Thursday, the sector is keenly awaiting the details of the new guaranteed income bond for pensioners, which was announced in the Budget.

Some in the sector already foresee a more general threat to societies' retail deposit base in the prospect that, if interest rates remain low, large numbers of savers might decide that they are prepared to face some risk for a higher reward than savings accounts can offer.

Lilley steps over the banana skins

James Blitz assesses the developing political skills of the social security secretary

For once Mr Peter Lilley can say that he has had a good week.

In recent months the secretary of state for social security, one of the most Thatcherite members of the cabinet, must have felt that he was the butt of more criticism than any other minister.

His ambitions to target social security benefits on those who most need them have drawn intense fire from Labour's front benches.

Even some cabinet ministers have hinted that his plans are far too draconian.

Yet this week he introduced two bills central to his objective to contain the growth of the £80bn social security budget. The two measures - raising employees' National Insurance contributions by 1 per cent and cutting the statutory sick-pay subsidy to employers - were countered by the Labour whips, who ended their "pairing" arrangements with Tory MPs in protest at the speed with which the measures were being pushed through.

Yet both went through without a hitch.

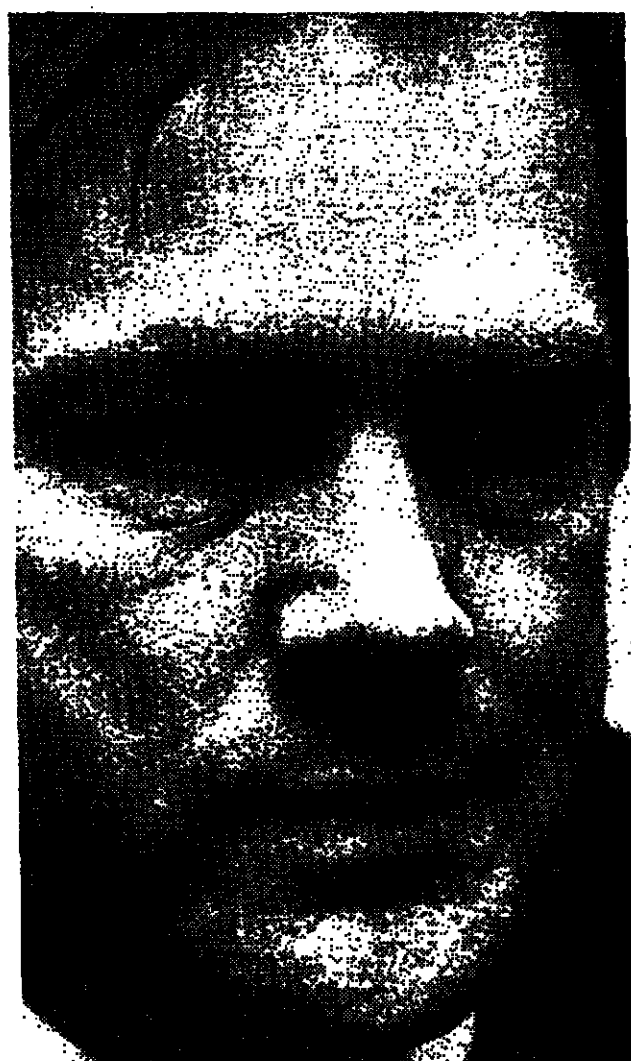
Sitting in his Whitehall office this week Mr Lilley looked like a man preparing for another march forward in the new year.

He said in his quiet, slightly intense voice: "Any one of the measures that we have recently announced would have been a major item at any time."

"We seem to have done much better than we could have expected in getting support for them."

Tory backbenchers say the bills have had a smooth passage because Mr Lilley understood an important lesson of politics. He leaked his plans on withdrawing the statutory sick-pay subsidy before they were announced in the Budget.

But the going will get tougher from now on. In the spring Mr Lilley will introduce a bill to tighten up the rules for applicants for invalidity benefit, introducing an objective test that would replace the



Peter Lilley: aware of the dangers in social security changes

informal examination now made by GPs.

He says the measure will be controversial. Some Tory backbenchers go further, fearing the legislation will do the unthinkable by taking benefits

away from people who already have them.

He must also tackle problems with the Child Support Agency, which has been attacked for zealously forcing separated fathers to pay main-

Reforming the welfare state

Peter Lilley's main proposals so far:

Invalidity benefit

Incapacity benefit to be introduced next year, using an objective medical test. Impact: About 200,000 will lose entitlement in first three years of scheme.

Unemployment benefit

"Jobseekers'" allowance to be introduced in 1995-96 session accompanied by a cut in entitlement from a year to six months. Impact: Ministry estimates that 250,000 people will find at any one time that they would have been better off under the old unemployment benefit scheme.

Abolition of statutory sick pay subsidy

Big employers to pay full cost of subsidising sick employees, having had four-fifths of costs met until now. Impact: Ministers say impact on industry will be lightened by cuts in employers' National Insurance contributions.

Equalisation of retirement age

Both sexes will claim state pension at 65. Impact: Measures will start to take effect after 2010.

BA plans £150m Heathrow cargo expansion

By Paul Betts, Aerospace Correspondent

British Airways plans to invest £150m expanding its cargo facilities at London's Heathrow airport in a joint development with BAA, the site operator.

Yesterday BA said the project will be the airline's largest single investment in an airport construction venture and will more than double its cargo handling capacity at Heathrow by the year 2000.

The BA and BAA boards have approved the project in principle. Final approval is expected by the end of next year. The scheme will involve

Failure to build a fifth terminal at London Heathrow would cost 14,000 jobs, BAA, which operates the airport, said yesterday, Daniel Green writes.

A decision to proceed with the £900m terminal would create 6,000 jobs and protect

three phases which, when completed, will increase BA's Heathrow cargo handling capacity from 451,000 tonnes a year to around 1m tonnes a year in 2000.

Details of the development and funding of the new cargo terminal are still being worked

8,000 others, the company said in a lobbying document it submitted to the government.

A public inquiry is expected to begin in 1995. If planning permission were granted in 1997, the first stage of the terminal would open in the year 2002 and work would be finished by 2013, BAA said. The new terminal would handle 30m passengers a year.

Terminal 5 will ensure that Heathrow retains its position in the face of increasingly fierce competition from Europe," said Sir John Egan, BAA's chief executive.

The new centre will replace the old facilities built for BA's forerunners, BEA and BOAC. Construction of the first phase

is expected to start by the end of 1994 and should be completed by late 1996. The second and final phases are expected to be ready in 1998 and 2000.

Mr Kevin Hutton, managing director of BA's world cargo division, said the airline intended "to take advantage of the latest, proven technology to achieve maximum automation of handling functions".

BA said the old terminal operation was mainly manual and its facilities for handling premium products needed improvement. Mr Hutton added that there would be a special unit to handle premium products in the new cargo terminal.

Loyalists prepared to match IRA ceasefire

By Jimmy Burns in Belfast

Loyalist paramilitaries are prepared to match an IRA ceasefire with one of their own, but are holding back from taking the first step.

Yesterday, in its first public response to the UK-IRA declaration, the Combined Loyalist Military Command, which represents the Ulster Freedom Fighters and Ulster Volunteer Force, said that "in the absence of any response from the Provisional IRA, it would pursue its 'stated policy' in retaliation to IRA violence".

Loyalist paramilitaries have carried out indiscriminate murders of Catholics in recent weeks, but security sources believe both the UVF and the UVF will scale down their operations before Christmas. "They are waiting to see what the IRA does next. This is a holding statement," one security source said yesterday.

While adopting an essentially reactive posture in military terms, yesterday's statement made clear that the loyalist paramilitaries also want to be seen as playing a part in setting the agenda.

They are calling for the creation of a forum in Northern Ireland to bring together loyal-

ist paramilitary leaders and unionist party officials, to protect unionist interests and act as a potential channel for demilitarising the province.

The idea mirrors the Irish government's proposed forum for nationalists.

Mr Jim Rodgers, a Belfast Ulster Unionist party councillor, said yesterday that loyalist paramilitaries were angered by what they saw as the emphasis on bringing the IRA into the political process. "It is one-sided, as if the violence of the IRA justified it," Mr Rodgers said.

Republican sources yesterday again lowered expectations that the IRA would move quickly to declare a permanent cessation of violence, as the joint declaration demands.

The sources said the 35-person national executive of Sinn Féin, the IRA's political wing, may reach a "considered position" on the joint declaration by early next week, following extended consultations with regional and branch offices.

But both Mr Gerry Adams, the party's president, and his deputy Mr Martin McGuinness want to ensure that Sinn Féin's response has the backing of the IRA to avoid a damaging and potentially bloody

split in the republican movement.

"We have got to get our response right even if it takes much longer than people expect or else we are all going to be in trouble," a senior republican source said yesterday.

The IRA's executive Army Council - which includes Sinn Féin officials and representatives of both sides of the border - is empowered by the organisation's constitution to declare "war or peace".

But the consultation in the next few days will be extended to the IRA's Army Convention, which comprises active service men and women from each of the IRA's brigade areas.

It is widely accepted within the republican movement that any cessation of violence must be endorsed by the convention if it is to be successfully delivered.

The IRA disputes the portrayal of the loyalist paramilitaries as reactive, and is reluctant to abandon its operations unless the loyalists first declare a ceasefire.

Security sources believe this unwillingness by each side to make the first move could undermine the peace process.

Dublin 'forum' to speed Sinn Féin involvement

By Tim Coome in Dublin

The Irish government's proposal to establish a "peace forum" - referred to in this week's joint UK-IRA declaration - is aimed at bringing Sinn Féin rapidly into a formal negotiating process after the IRA has announced the ending of violence.

Senior cabinet ministers say Sinn Féin could be brought into the Irish forum "very quickly" after an announcement. This would be before the exploratory talks the British government has offered the party, which would start after a three-month "quarantine" period.

The ministers also echoed the British government's view that a surrender of IRA weapons would not be a precondition to the involvement of Sinn Féin in talks.

Mr Albert Reynolds, the taoiseach, told the Dail yesterday: "The joint declaration was the first stage in the peace process. The Forum for Peace and Reconciliation could be absolutely vital to reaching a second stage, and to achieving a permanent cessation of violence."

"If we want to be realistic, we have to guarantee that there will be a political process, once violence is perma-

nently ended. The forum could provide a useful input to wider negotiations."

The creation of such a forum was one of the main sticking points in the drafting of the joint declaration. Irish government officials say it was therefore decided to make it an Irish initiative, rather than a joint initiative with Britain.

Mr Reynolds said the forum would be modelled on the New Ireland Forum, set up in 1983 on the initiative of Mr John Hume, the leader of the nationalist Social Democratic and Labour party in Northern Ireland, in which all the main parties in the Republic and the SDLP participated, but which the unionist parties in the north boycotted.

Mr Reynolds said the new forum would be open to democratically mandated parties to provide a means to debate and devise appropriate alternative political strategies to violence.

Apparently acknowledging that unionist parties will not initially wish to be involved, he said the debate would take place "among all strands of nationalism and hopefully a wider range of opinion, (and) in the aftermath of a permanent cessation of violence, could be a very healthy exer-

cise in advance of resumed talks between all political parties, unionist and nationalist."

Dublin sees the forum as providing a "bridge" to exploratory Sinn Féin talks with London and to subsequent wider talks involving all parties in Northern Ireland and the Republic. Dublin believes the move is necessary if Sinn Féin and the IRA are to accept the peace initiative.

Issues of concern to Sinn Féin and the IRA, such as the future of IRA prisoners and the "dumping" of arms, would be dealt with in these initial talks.

Mr John Bruton, leader of the opposition Fine Gael party, expressed reservations. "A forum that does not contain representatives of both traditions cannot achieve the stated objective in the joint declaration to promote reconciliation. There is a risk that some form of institutionalisation of division may be established."

The Irish parliament later backed the joint declaration without a vote at the end of a day-long debate in the Dail.

Winding up the Dail debate, Mr Dick Spring, the deputy premier and foreign minister, said he would brief fellow members of the EC's General Affairs Council in Brussels on Monday.

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Howard unveils legislative 'attack' on crime

By Robert Rice,
Legal Correspondent

Tough measures giving courts the power to lock up children as young as 10, detain persistent juvenile criminals in secure training centres and end suspects' so-called right to silence were unveiled yesterday.

Publishing the Criminal Justice and Public Order bill and the Police and Magistrates' Courts bill, Mr Michael Howard, home secretary, said the measures amounted to a "comprehensive attack on every

aspect of crime". But Mr Tony Blair, shadow home secretary, told an audience at Bramshill police college, Hampshire, that the police reforms would undermine the fight against crime.

"The cumulative effect will be dramatically to increase the centralisation of policing and therefore substantially to undermine community policing," he said.

The 117-clause Criminal Justice and Public Order bill proposes action against juvenile offenders, bail "bandits", terrorists, trespassers

and squatters. It also ends the accused's right to silence.

The Police and Magistrates' Courts bill sets national objectives for police, gives chief constables more flexibility over their budgets, and introduces Home Office-appointed chairmen and members of slimmed-down police authorities.

Mr Howard said the new members of the police authorities "will be local people and we are dismantling a whole series of central controls". The measures, announced in last month's Queen's Speech, were

attacked by politicians, civil liberties groups, lawyers and police. Mr Blair accused the government of increasing centralisation of power - the heads of police authorities and a third of their members are to be appointed by the government. It would allow police authorities to be amalgamated, even if local people did not agree.

Mr Rodger Pannone, Law Society president, accused the government of ignoring recommendations of the Royal Commission on Criminal Justice which did not suit its immediate

purpose - including the creation of an independent review body to consider alleged miscarriages of justice. Liberty, the civil liberties pressure group, condemned the criminal justice bill as the "most serious and broad-ranging assault on human rights" in the UK in recent years.

Police leaders warned that the police authority reforms, fixed-term contracts and performance-related pay threatened operational independence.

The Association of County Councils and Association of Metropolitan

Authorities called the police bill "an expensive distraction from the real business of fighting crime". The associations said the reforms would cost £21m. That money would pay for more than 1,000 extra constables.

The Police Federation supported the government's measures. "The bill is a sign that at last the government is prepared to get tough on criminals," said Mr Richard Coyle, federation chairman. The police particularly welcomed the provisions to tighten up bail laws.

Media ownership rules to be reviewed

The government is pushing ahead with a review of the cross-media ownership rules that prevent newspaper publishers owning more than 20 per cent of conventional commercial television companies, Raymond Snoddy writes.

A broadly based committee is being set up which could begin work next month. Members will include officials from the Department of National Heritage, the Department of Trade and Industry, the Cabinet Office and the Treasury.

The review, which will take at least three months, could pave the way for a relaxation of the rules in the wake of the recent liberalisation of ITV ownership regulations.

Mr John Major, the prime minister, is believed to be interested in the issue. The government has been lobbied extensively by newspaper groups wanting to increase their television interests, particularly Associated Newspapers, publisher of the Daily Mail and the Mail on Sunday, and Pearson, owner of the Financial Times.

Both Associated and Pearson were interested in bidding for a significant stake in a new fifth national television channel but were prevented by the rules from holding more than 5 per cent.

The argument of the liberalisers is that in an age of growing media competition and choice and the growing convergence between computers, telecommunications and entertainment, the old cross-media rules are too narrowly drawn.

When Mr Peter Brooke, the national heritage secretary, announced last month his intention to allow one company to own two ITV licences, he promised to keep ownership restrictions under review and look again at the wider questions of cross-media ownership.

Managers buy out bus company

Managers of Fyde Borough Transport have bought the bus company which was previously owned by Fyde Borough Council, Lancashire.

The company has 32 buses operating in Lytham St Annes and Blackpool, and 12 coaches trading as Seagull Coaches. It is the 24th local-authority bus company to be sold - a further 24 remain in public ownership.

RSI compensation awards continue

Unions have won £118,000 in compensation for sufferers of Repetitive Strain Injury in the past two months in spite of a ruling by a High Court judge that the condition is "meaningless".

It said the awards were from 30 cases involving five unions, mainly in out-of-court settlements. Those affected were bank workers, journalists and engineering workers.

In October Judge Prosser, rejecting a claim for compensation by a journalist against Reuters news agency, said RSI had "no place in the medical books".

Revenue wins case on BES tax relief

By Scheherazade Daneshkhu

The Court of Appeal has overturned a High Court ruling that investors in two business expansion schemes issued by National Westminster Bank, Hambros Bank, and BZW, the securities arm of Barclays Bank, are entitled to tax relief.

The appeal was brought by the Inland Revenue in a case hinging on what is meant by the issue of a share. Lord Justice Dillon and Mann found for the Revenue. Lord Justice Hirst dissenting.

NatWest said that it was disappointed and was considering with Barclays an appeal to the House of Lords. The decision to appeal will be taken early next week.

The Revenue argued that shares in the Homesbase scheme, issued in February by NatWest in conjunction with Hambros Bank, and Gracechurch business expansion scheme by BZW, had not been issued in a way which would allow investors to qualify for tax relief.

Loan-back BES schemes, which allowed investors to withdraw after six months while retaining full tax relief, were abolished in the March Budget.

The banks had allotted shares but had not listed the shareholdings in the companies' register of members by the Budget deadline. As a result, the Revenue did not accept that the shares qualified for tax relief.

In July, the High Court found in favour of the banks and against the Revenue by ruling that the word "issue" had no fixed meaning.



A senior civil servant who was a prosecution witness in last year's collapsed trial of executives of engineering company Matrix Churchill yesterday admitted that he misled the Old Bailey on three occasions, Rachel Johnson writes.

Mr Eric Beston (above), former head of export controls at the Department of Trade and Industry, told the Scott inquiry into the arms-for-Iraq

Lib Dems face split on racism

By Kevin Brown,
Political Correspondent

The Liberal Democrat party was facing an ugly split over racism last night after an internal inquiry recommended the expulsion of three members in the London borough of Tower Hamlets.

Mr Jeremy Shaw, one of three members accused of circulating racist leaflets, said local members were "very likely" to set up a splinter group. A substantial break-away could deprive the Liberal Democrats of its eight-seat majority on Tower Hamlets council, which the party won from Labour in 1988.

The inquiry, chaired by Lord Lester, a Liberal Democrat peer, was set up after controversial leaflets were published during a council by-election won by the British National Party.

The report is a damning indictment of campaigning tactics in the Tower Hamlets party during the past three years, which continued after the inquiry was established.

In addition to recommending three expulsions, it urges the national party to appoint a campaign officer to monitor Tower Hamlets until after next year's local elections in May.

The three members, who deny racism, have the right to

appeal to an independent panel to be set up by the party. The report says the members involved did not intend to stir up racial prejudice. But their populist approach pandered to resentment and anxiety among local white voters.

Lord Lester accuses the "Tower Hamlets Labour party of adopting 'misguided and dishonourable' policies during the by-election which contributed to the BNP campaign."

The report's most damaging section asserts that the national Liberal Democrat party knew what was happening in Tower Hamlets three years ago, but took "no effective concerted action".

Mr Paddy Ashdown, the Liberal Democrat leader, moved quickly last night to limit electoral damage to the party by making clear that it would act firmly to end racism.

Mr Graham Tople, president of the Liberal Democrat London region, said the exposure of racism in Tower Hamlets was unlikely to affect the party's prospects in the elections.

"Where people comment at all, they recognise that this party has not tried to sweep it under the carpet. Far from hurting us next May, I think it is going to help us," he said.

Mr Jack Straw, Labour's environment spokesman, said the report was a "whitewash".

Rented housing sector faces cut

By John Williams,
Public Policy Editor

The number of homes built by housing associations for rent will fall sharply after cuts in the budget of the Housing Corporation, the quango which distributes government grant to associations.

Approvals to start building homes for rent are due to fall from 38,900 this year to 26,800 in 1996-97. Last year associations provided more than 60,000 homes for rent.

The corporation has told the government that the cut will mean the loss of 15,000 to 18,000 construction jobs.

Sir George Young, the housing minister, yesterday told parliament that he expected at least 154,000 housing association homes to be completed between 1993-94 and 1995-96.

Mr Jim Coulter, director of the National Federation of Housing Associations, said

that the government was focusing on completions rather than starts to disguise the cut.

He said: "Sir George is attempting to conceal the 30 per cent drop in new approvals by emphasising the lettings which will come on stream from homes started in previous years."

New housing plans also include a shift away from building for rent towards higher sales. This was a backdoor change in policy, Mr Coulter said. "In two years' time new rented housing will make up only 55 per cent of the housing association programme," he added.

The government is recommending that local authorities raise rents on council homes by 7.5 per cent in the coming year, four times the rate of inflation. Mr John Battle, shadow housing minister, described the increase as a "rip-off of council tenants".

Rift opens over 'going concern'

By Andrew Jack

A damaging rift has opened in the accountancy profession over how far ahead accounts should provide any assurance that a company will survive.

Two bodies responsible for drafting guidelines cannot agree on the interpretation of the period covered by the "going concern" assumption. "Going concern" is a central issue in audited accounts, providing a degree of confidence that a company is not about to collapse.

A working group was established this year by the Institute of Chartered Accountants in England and Wales, on behalf of the Cadbury committee, to consider guidance for directors. It wants no change to the present arrangements.

The institute says that accounts should only provide reassurance that the company will survive as far as the end of

the financial year. It argues that projections beyond that date are not reliable.

A group from the Auditing Practices Board, which is drafting guidelines for auditors, this week recommended that the period should be extended to provide greater assurance.

The board says that many of the companies in most difficulty would delay issuing accounts until well into the next year, so the institute's assurance would last a very short time. The board wants to extend the period for 12 months from the date the accounts are signed.

The institute's working party is believed to have pressed the board to withhold its proposals until the issue had been further debated.

Now that the board has taken an independent line the institute may produce its own draft early next year. This would contradict the board.

Opt-out schools gain £150m

By John Authers

The Department for Education yesterday announced grants of £150m to grant-maintained schools that have opted out of local education authority control.

Only 70 per cent of the schools which have opted out in the past year will receive capital grants, however, and about a third of these must wait until the educational year 1995-96 before the funds will be available. Last year virtually all newly opted-out schools were offered capital grants.

Labour said this showed that the Treasury had applied pressure on the education department to make the funding for opted-out schools less generous.

Mrs Ann Taylor, shadow education secretary, said: "The bribes to education department grant-maintained schools are clearly running out."

She accused Mr John Patten, the education secretary, of massaging the figures to make the allocation look generous, adding: "The truth is, this year there are more losers."

However, teachers' unions continued to object that more

funds were being made available to opted-out schools than to those which had remained with local authorities.

While the total of £150m, which is for specific new capital building programmes, was split between about 700 grant-maintained schools, Labour complained that the 24,000 which have not opted out are to receive only £516m in total.

Mr Robin Squire, the schools minister, said that the self-governing sector continued to grow and flourish in response to parental demand.

OBITUARY

Sir Robert Reid: former chairman of BR and lifelong railwayman

Sir Robert Reid, former chairman of British Rail and a lifelong railwayman, has died aged 72.

Although he was not the government's first choice to become BR chairman in 1983, he is credited with the modernisation of its management. He put in place many of the building blocks for the planned privatisation and break-up of BR, in spite of his distaste for the process. His death comes within a few weeks of parliament approving the privatisation bill.

Robert Reid was born on February 7 1921. His education at Brasenose College, Oxford, was interrupted by the second world war and he was commissioned in the Royal Tank regiment, spending more than three years as a German prisoner-of-war. He returned to Oxford and in 1947 opted for a graduate traineeship with the London and North Eastern Railway at £399 a year.

He started as a traffic apprentice and eventually became BR chief executive in 1980 and chairman in 1983. The government had sought strenuously to find a tough outsider to shake up the railway but ended up with an equally tough insider.

In spite of his long career



Sir Robert Reid at the launch of the InterCity 225 at King's Cross

with the railways he did not hold a romantic view of its traditions or its role. He broke up the established hierarchy and split BR into five sectors - freight, InterCity, provincial services, London and the south-east, and parcels. He closed the network of regional offices with the loss of 6,000

staff and presided over a halving of the government subsidy. Unlike his flamboyant predecessor, Sir Peter Parker, Sir Robert was soft spoken and adopted a low profile. Few among the travelling public would have recognised his hawk-nosed profile.

In office he took care not to

become embroiled in the political discussions of BR's future, but when pressed would question the value to customers and employees of privatising BR. When privatisation appeared inevitable he declared himself in favour of retaining BR as a single operation rather than allowing it to become "a broken-up railway with lots of little companies".

A few months before his retirement as chairman in March 1990 he made a public plea for more government investment in rail to maintain London's role as an important European transport centre.

Towards the end of his period in office his efficiency improvements were somewhat overshadowed by three fatal train crashes and a damaging dispute with the rail unions.

A member of Business in the Community, he was also on the council of the Prince's Youth Business Trust and a member of the Confederation of British Industry president's committee. He was also a companion of the British Institute of Management.

Knighthood in June 1985, he was an outdoor enthusiast, fishing, golf, sailing, shooting, fishing and mountaineering as his hobbies. A widower since 1976, he leaves a son and a daughter.

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FINANCIAL TIMES

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So here it is, a merry Xmas

This will probably turn out to have been the most economically depressed year for the world economy since the second world war, but that is not how it will be recorded in the economic history books. Just as 1973 has become the year of the oil shock, the beginning of a number of years of stagflationary misery, so 1993 may be remembered as the year in which the world economic community finally completed the Uruguay Round of trade liberalisation, thus beginning a new era of free trade and rising prosperity.

Of course, 1973 is not only remembered for the quadrupling of oil prices. It was also the year in which Poland eliminated England from the World Cup and Slade, a British rock group, began a tradition of seasonal chart hits by taking a Christmas pop song to the top spot on the hit parade.

Waning power

The power of Opus to influence oil prices has waned since then, but Slade's Christmas song remains as popular in 1993 as it was 20 years ago. Indeed, casual research suggests that it has been particularly popular at this year's City of London Christmas party. No-one can blame equity market dealers, as they celebrate the fruits of London's continuing bull market, from crossing their fingers and singing along.

So here it is, merry Christmas. Everybody's having fun. Look to the future now. It's only just begun.

Yet can the stock market really do as well in 1994 as in 1993, a year in which the FT-SE 100 index has risen by 16 per cent, closing last night at 3,777.12? Or does the combination of relatively sluggish recoveries, rising taxes and high price-earnings ratios on both sides of the Atlantic spell danger?

City opinion is split. Traders, and clients of Goldman Sachs, may take comfort from analysis provided by Sushil Wadhvani, the investment bank's equity analyst, who continues to point out that, using historical bond-equity yield ratios, UK equities appear 20 per cent under-valued. Others are much less sanguine. "It's all very uncomfortable," says Robin Aspinall of brokers Panmure Gordon, "but at least I can guarantee that 1994 will see a return to 2900."

Yet the bull market continues to roar. The FT-SE 100 gained 2.5 per cent this week alone, despite mixed signals about the pace of UK recovery from output and retail sales. Perverse as it may seem, the fact that 1993 has turned out to be such a disappointing year for economic growth across the industrialised world helps to explain why equity markets have performed so well. Slow growth and low inflation have pushed

short-term interest rates down on both sides of the Atlantic, encouraging investors to move out of cash in search of real returns. Bonds have benefited most from this pool of income-seeking liquidity, but equity yields have also surged ahead in every major market except Japan.

Can it last? For the UK stock market, the big unknown is whether economic growth will eventually resume at historic rates without a surge in inflation. If so, the scope for higher dividends combined perhaps with a rise in bond yields as growth accelerates should be enough to return the yield ratio to its historic level. But an upturn in inflation alone would also lift the yield ratio by raising long-term rates and, if short rates also rise, could send shares falling.

Then again, perhaps historic relationships between bonds and equities are no longer a good guide to the future. A prolonged period of low growth could rule out the kind of earnings growth which would be needed to justify current price-earnings ratios.

In Britain, the immediate threat of a sudden rise in bond yields seems non-existent. Underlying inflation is falling and the labour market remains depressed. Short-term UK interest rates are more likely to go down than up. If there is an inflationary risk to UK equities, it comes from the US where growth is stronger and the Federal Reserve may soon raise short-term interest rates. A sharp US increase could dry up the flow of US money into Europe, while falls on Wall Street would also be felt across the Atlantic.

But with US inflation still subdued, any rise in short rates is likely to be a statement of intent rather than a sign of imminent danger. US bonds could even rally as a result. Nor does slow growth on the European continent spell too much danger for UK equities so long as the Bundesbank continues to push interest rates lower.

Risk in recovery

Not surprisingly, the pace of domestic recovery remains the greatest risk for UK equities. Britain's long-term economic weaknesses - low investment, decaying infrastructure and inadequate skills - have not gone away, despite the statistical fog which currently surrounds the trade figures. But the immediate threat is that growth will be too slow, not too fast, over the first half of this decade. Investors may well be persuaded that lower UK interest rates will offset the effects of tax increases, and that slow growth of disposable incomes will postpone recovery rather than abort it. But how far into the future are they being asked to peer?

A Russian couple debated which candidate they liked before last Sunday's elections. The wife favoured Vladimir Zhirinovskiy, leader of the neo-fascist Liberal Democratic Party. The husband objected: Zhirinovskiy is a Jew, he said. The wife believed him, and they voted communist. This really happened.

Post-communist Russia is perhaps the only place where voters who wish to vote for fascists choose instead to vote communist because the fascist leader is Jewish. It is the basis for a farce, but that is not what it is.

Mr Zhirinovskiy's Jewishness (through his father, Wolf Zhirinovskiy) is not uncontroversial, but it is probable. Yesterday Mr Mikhail Chlenov, head of Russia's Jewish Federation, says that he met Mr Zhirinovskiy in November 1988 during the founding conference of an organisation called Shalom.

"He got up and said he was a lawyer, and after his speech he was elected to the board. Shalom lasted three months and then he disappeared. There was no hint of a future Führer. It was self-evident that anyone who came to such a meeting was Jewish or considered himself to be. There is no doubt that, with a name like Wolf, his father was Jewish."

Being, or not being, Jewish matters in Russia. Jews are not the most oppressed of the former Soviet peoples - it is the Azeris, Armenians and Georgians who are being thrown out of Moscow and St Petersburg now - but they cannot expect to play a leading role in the governance of the state. It matters for Mr Zhirinovskiy, because he has used - inconsistently - anti-semitic (or "anti-Zionist") rhetoric in his campaigns and would presumably suffer more defections from his cause once people knew for sure he was Jewish.

Yet all this merely adds another veil to the dance Mr Zhirinovskiy is performing in front of the Russian people, and of the world. It adds another layer of obfuscation to a figure whose contradictions are beyond easy explanation. As the world asks - should we take this man seriously? Does he herald a nation in arms against reform? - he continues to weave this way and that, now protesting moderation, now threatening to use nuclear weapons on Germany and Japan, now claiming he is a maligned liberal, now welcoming starvation in Central Asia if it assists Russia's economy. If Stalin was a dogma wrapped in an enigma, Zhirinovskiy is a scream of rage masked with a grin, veiled with a lie and topped with a joke.

A judgment on him might start with his assessment of himself in his autobiographical pamphlet *The Last Dash for the South*. The analysis is as dark and pathetic, as ridden with complexes and hatreds as that of any important public man of our time. His book is the testament of the victim of a boy who hardly knew his father; who grew up with five siblings (by another father) in one room in a communal flat; whose mother took a young husband while he was still a child; who "never liked common games - I always preferred to play by myself"; who says at one point that "my whole life was a degradation" and again that "I had no friends" and that "I loved my mother... I loved her very much... I watched her cry again and again".

The meekness, the obsessive insistence on his specialness and uniqueness, his insistence on suffer-

Vladimir Zhirinovskiy is part clown, part victim, say John Lloyd and Leyla Boulton, but his contradictions cause concern

Smile masks a scream of rage



Scream of rage: the world is wondering if Russia's Vladimir Zhirinovskiy should be taken seriously

ing are touching, because they show not a brute, but a man whose sensitivity and intelligence never could attract the attention of the mother he adored. There are also passages of compelling writing, as on his first awakenings of sexuality, watching naked little girls go to the lavatory in the night in the orphanage in which he spent some time. Later, his wife and son are introduced as an afterthought - the centre-piece must be the unfairness of the world to Vladimir Zhirinovskiy, and the explicit and constant equation of the life of the former Soviet Union with the ills which beset him.

On the first page, his birth is described down to the minute and the weather, and intercut with the degraded condition of the Russians in Kazakhstan (he was born in the Kazakh capital of Alma Ata) - a state they considered they had brought into the civilised world. Later, he rails against his life in the communal flat as a product of the preference given to Kazakhs over Russians in the allocation of individual housing. After another howl that his life has been "nothing but suffering", he shifts to Mikhail Gorbachev and says "he had a sweet life. That's why he... could do nothing right. He was weak."

How could this bundle of resentments and hatreds and losses have risen so fast to become the latest threat to the west's peace of mind? Throughout his life's account, there are hints that he may have been

associated with the KGB: his education in a prestigious oriental language institute, his army service as (apparently) an instructor, a trip to Turkey - all of these would have at least attracted the attention of the all-encompassing security service, if they were not sponsored by it. Mr Chlenov, also a graduate of the oriental institute, says graduates were routinely asked by the KGB to work for them after qualification. He avoided it by moving into academia.

Further, Mr Zhirinovskiy's dip into Jewish movements in the late 1980s (an area saturated with KGB attention) and most of all his founding of the Liberal Democratic Party in 1990 (registered in 1991), shows either a man of extraordinary freedom of movement or one with at least a thread leading back to KGB headquarters in the Lubyanka.

From the start, the LDP was a strange formation. It eagerly espoused individual rights and the need to "deideologise Soviet society", (then passing through the last, terminal crisis of communism) - and at the same time insisting that the Soviet Union remain an integral state. An early interview with Mr Zhirinovskiy in the conservative newspaper *Glasnost* during his bid for the Russian presidency in 1991 (where he zoomed from nowhere to third place after Mr Boris Yeltsin and Mr Nikolai Ryzhkov), quotes him as saying: "Every-

where I went I spoke about anti-Russian attitudes. Now we've seen the last straw - the killing of Russians in Russia because they're Russians (referring to some apparently ethnic-based murders). I don't say Russians are any better than anyone else but they are certainly no worse and they don't deserve their present fate (as the victims of their former colonial empire)."

It is the voice of the victim-nation, forced out of former colonies, feeling the boot on the end of another foot. Every imperial country - Britain, France, Portugal - has had a similar imperial movement, and Mr Zhirinovskiy began to articulate it as soon as he came into public view. It is not far fetched to say that this is a voice of the KGB, and that the LDP - whose launch made the first page of Pravda, a sign of approval - is yet another "policy party" of the kind familiar during the Tsarist period.

But are not the worries of Russians today less about the integrity of the former Soviet Union than the price of bread? Is not the LDP's economic programme - more arms sales, no more aid to the former Soviet republics, a boost for the public sector, a crackdown on crime - ridiculous in its simplicity? Yes: but Mr Zhirinovskiy's skill has been to recognise that people do not want one more foolproof plan from a self-satisfied economist: they want action, even if it is only the action of a demagogue.

What Alan Bullock in his *Hitler*

and Stalin: Parallel Lives says of the German fascist leader is true of Mr Zhirinovskiy. "He never made the mistake of supposing that the best way to exploit (the depression) was by making economic policy and promising the centre-piece of the party's opposition. He grasped, as no other German politician did, that the effect of such economic factors on peoples' lives was one of psychological shock and that it was to the emotions this created - fear, resentment, despair, the longing for reassurance and the renewal of hope - that a political leader should address himself." Economics, indeed, rationality, have nothing to do with it.

Comparisons with Hitler overestimate Mr Zhirinovskiy, however. He will not cut the same swathe through civilisation - not because he has no ambition to do so, but because he has neither the will nor the space.

He is a fragile man, for all his scorn for those who have had the "sweet life". He attracts no one of any quality (as Hitler soon did) and cannot bear anyone who seeks equality with him. His background, or his KGB links, or both, are in the end debilitating in this society. His need for the victim status, much more obsessive than Hitler's as revealed in *Mein Kampf* or *Table Talk*, will be difficult to transform into an effective use of the power he appears to want.

The special circumstances of Russia, and the incompetence of the reformists, especially in running an election campaign, have given a talented populist room for growth. But he is a freak - a hot character in an increasingly cool environment, where TV sets flicker behind threadbare curtains from Brest to Vladivostok. Mr Zhirinovskiy is at once the master and the victim of television. The master, because he is able to be simple, direct and convey his own obsessions and hatreds of "them", to oblige with a nation made to feel like outcasts. The victim, because the medium demands fresh fodder constantly, and (as many Russians now say) he is a one-time phenomenon, not a permanent fixture.

His inauspicious ability to deny pledges made in print or in public and to assert the opposite is seen as clever but will also bewilder or dishearten. The great European tyrants of the century - Stalin, Hitler, Mussolini, Franco - all did much of what they promised and often raised their peoples' living standards, at least for a while. Mr Zhirinovskiy, instead, threatens nuclear holocaust.

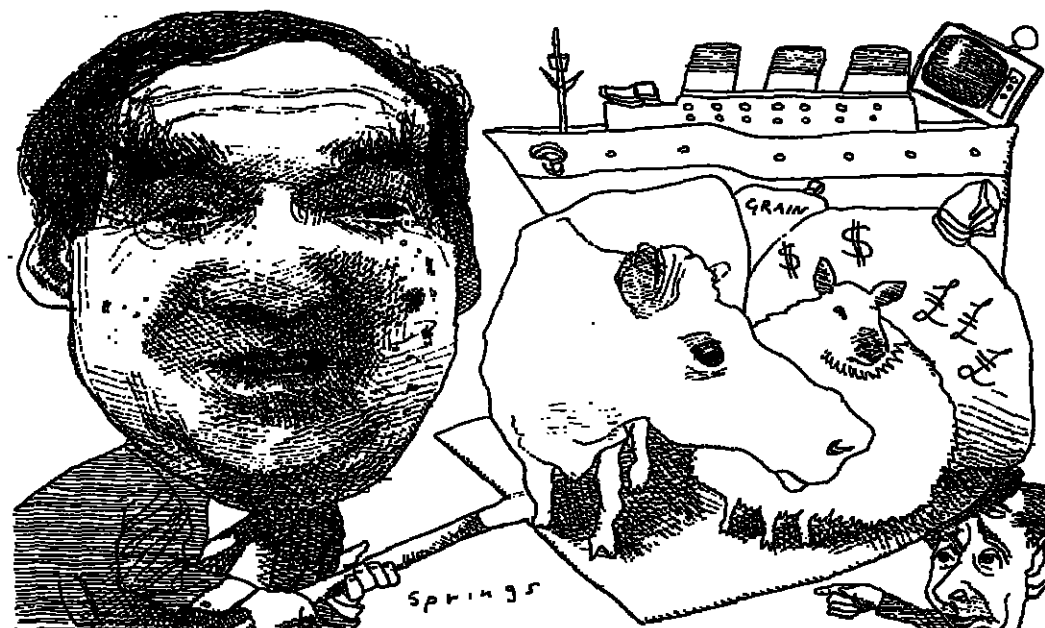
Finally, the European dictators' rise to power was against a threatening background in which it seemed wholly sensible to be tyrannical. Mr Zhirinovskiy grasps for the seat of the Russian president when almost every important country in the world is trying to become democratic, or market-oriented, or both. He himself, in his extraordinary dodging this way and that, pays both the tribute of rhetorical support.

He is more than a clown, though he is funny; but less than a tyrant in the making, though insofar as there is a programme it is fascist. He is like one of Shakespeare's most bitter and diseased jesters with a skinhead retinue. And he reflects, sometimes with shocking accuracy, the cries of a society in which many have suffered simultaneous tribulations to his own and now feel even more dispossessed than he can give witness to.

MAN IN THE NEWS: Sir Leon Brittan

Bulldozer brawn with a brain

Lionel Barber on Europe's chief Gatt negotiator



Just before the climactic announcement of a deal in the Gatt world trade talks, Sir Leon Brittan stepped out of a Brussels conference room and paid a visit to the in-house canteen. Here was the prospect of a mouth-watering quote for the assembled media horde, along the lines of "I'll take the ham sandwich and, by the way, where's the claret?". Alas, the queues were interminable, the Gatt clock was ticking, and so the European Union's chief trade negotiator was forced to stop fraternising with the food police.

The metamorphosis of Sir Leon from grand gourmet into *homo ordinarius* offers an insight into his wider ambitions. For even as a conclusion to the Uruguay Round drew close last Wednesday lunchtime, he was looking ahead to the next move: his bid to succeed Mr Jacques Delors next year as president of the European Commission.

Until this week, it was easy to write off Sir Leon's chances of attaining the top job in the Commission. But the Gatt deal is a personal triumph which has seen his reputation as a high-powered, if aloof, intellectual transformed into that of a deal-maker on a grand scale. "He has become a viable candidate," says one senior Commission official.

Seven years ago, Sir Leon's political career appeared finished. Memories of his involvement in a clumsy campaign during the Westland helicopter affair to discredit Mr Michael Heseltine, then UK defence secretary, might have faded. What has not faded is the verdict of a fellow Conservative MP at the time: "Too many brains, not enough common sense."

Yet Sir Leon has flourished since arriving in Brussels in 1989 to become senior UK commissioner responsible for competition policy. Although he keeps contact with friends in London and often spends weekends walking in his former constituency in Yorkshire, he seems happier jetting off to Moscow to see President Boris Yeltsin than suffering the slingshots of the annual

Conservative party conference.

His success is a tribute to hard work, a willingness to pick first-rate staff and an unshakeable self-confidence. "He has the style of a bulldozer," says a senior EU official.

An ability to plough through mind-numbing detail proved crucial as the EU's lead negotiator in the tortuous Gatt negotiations. "The contrast with his predecessor (Erans Andriessen) could not be more marked," says a Commission official. "He listens to what his civil servants tell him, he uses their brains, and he understands them. This is all highly motivating."

His eagerness occasionally borders on the impulsive. In early January, Sir Leon tried to strike a deal with the outgoing Bush administration on Gatt before he had been formally confirmed in his new post as Commissioner for External Economic Relations. He still insists he had a chance of convincing his "short twirl" with Mrs Carla Hills, then US trade representative, into an agreement. "I just needed a month rather than two weeks."

Others disagree. "In the beginning, Brittan wanted a deal at any cost," says a veteran EU trade negotiator, "but he ended up understanding that the Americans only respect hard bargaining."

This became evident during his relationship with Mr Mickey Kantor, the US trade representative. At times, the two men looked like the Odd Couple on the international trade circuit: Sir Leon as the silken-tongued barrister from Cambridge and Yale Law School, and Mr Kantor, the country lawyer with the light Tennessee drawl.

Sir Leon makes little pretence to personal chemistry with Mr Kantor and no reference to their common heritage as the descendants of Lithuanian Jews. "Mickey Kantor is a deal-maker," he says, "he is a man you can do business with."

The moment that Sir Leon believed there was a deal to be done came when President Clinton renewed his "fast-track" negotiating authority. This meant the US Con-

gress could not attach treaty-wrecking amendments to a final Gatt text, provided a deal was struck before December 15.

Sir Leon was determined to make December 15 stick. He knew that failure risked splitting the EU between a free-trading bloc led by the UK and Germany, and a protectionist-leaning group led by France.

His strengths and weaknesses were less apparent in his dealings with the Americans than in his efforts to resolve internal differ-

ences among the Europeans.

The job of chief EU trade negotiator requires the skills of juggler and tight-rope walker. As a member of the Commission, Sir Leon is the servant of the 12 member states. He must balance their often conflicting interests while following a mandate set out by the Council of Ministers. Simultaneously, he must show his interlocutors that he has the flexibility to negotiate and ultimately deliver a deal.

This is a shade more complicated

than the hand played by Mr Kantor. Late in the negotiations, the talk in Geneva was that the US trade representative was taking his instructions from two men only: President Clinton and Mr Jack Valent, head of the powerful Motion Picture Association which was pressing for greater access to film and broadcasting markets in Europe.

The charge against Sir Leon is that he lacks political touch in dealing with his European partners. An observer in the Council of Ministers

says it was only late in the day that Sir Leon grasped the importance of keeping all member states on board during the negotiations - particularly the recalcitrant French.

This lacuna resulted in an explosive encounter with Mr Alain Juppé, the French foreign minister. The clash exposed the love-hate relationship which France has enjoyed with Sir Leon since he came to Europe. Although the French like to demonise him as a Anglo-Saxon free-marketeer, they are drawn to his intelligence, charm and vanity; in their eyes, he will always be the knighted member of the British upper class who can handle a French subjunctive clause.

On September 20, Mr Juppé pressed a list of French demands for revisions of the EU-US Blair House accord limiting farm export subsidies. Sir Leon refused to have his hands tied, and still maintains that his stubbornness saved a Gatt deal.

The French demands were extremely risky and could have led to disaster by provoking an outright American rejection.

A colleague agrees that Sir Leon was objectively right, but adds that facing down the French government risked weakening Paris's confidence in the Commission as an impartial negotiator. Similar doubts were shared by the Danes, Greeks, Spanish and Portuguese, all of whom felt they had been kept in the dark as the talks neared a conclusion.

Sir Leon, ever agile, counters that he was never once pressed for information beyond what he was ready to reveal. "They knew perfectly well what I was not saying. It was accepted, and it was acceptable." But a Council official describes Sir Leon's self-righteous attitude as "very British".

Sir Leon knows very well that he cannot afford to be labelled British at this stage in his career. Right now, being British in Brussels rates as a negative. Resentment lingers over Mr Major's article setting out a minimalist vision of European integration in *The Economist*; but the problem goes deeper. Sir Leon's tac-

tics over the past 12 months have been to put discreet distance between himself and Mr John Major's government.

Earlier this year, he warned Britain to take seriously the prospect of a "hard-core" of member states moving towards European monetary union. He supports the concept of a common European foreign and security policy, and he has taken to chastising the US in public for not living up to its free-trade rhetoric.

It may not be enough to win the top job in the Commission. He faces tough, though unadmitted, competition from Mr Rud Lubbers, the Dutch prime minister and front runner, and the two seasoned Belgians, Mr Leo Tindemans and Mr Wilfried Martens, and possibly from Mr Peter Sutherland, the director-general of Gatt.

Sir Leon inspires great loyalty among staff inside the Commission, who praise him for opening information flows and streamlining the bureaucracy. "He would be a godsend to the Community," said one official, "because somebody has to manage the Commission."

Sir Leon himself denies he is running for higher office. But he is willing to describe the qualities of a Commission president. "You have to be capable of vision, and have the determination and energy to pursue that vision, as well as the capacity to persuade people that it is the right vision."

He adds, in matter of fact fashion, that his own vision of Europe will appear in a book "published by Hamish Hamilton on March 31". This happens to be just three months before the European summit in Corfu will choose a successor to Mr Delors.

There is always an element of calculation about Sir Leon, a hint of a wider game-plan. No doubt the Gatt trade deal has forced everyone to take a second look at his pending candidacy; but he must still overcome residual suspicions about anything British in Europe. It is a hard sell.

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COMPANY NEWS: UK AND IRELAND

Chairman warns of serious threat from 'stampede of discounters'

Asda advances 14% to £105m

By Peggy Hollinger

Britain's food retailers face a serious threat from a "stampede of discounters", said Mr Archie Norman, chief executive of Asda, yesterday as he unveiled a 14 per cent jump in first-half operating profits.

Mr Norman warned that the rapidly growing number of discounters, such as Aldi, Netto and Kwik Save, would double their market share in the next two to three years.

Contrary to comments made by other retail chains, Mr Norman said Asda's own discounting chain which offers a higher proportion of fresh foods - the supermarkets and the hypermarkets, he said.

Discounters would pose the most significant threat in the south-east of England, where Asda had a lower exposure than the bigger chains. The group would also be offering a wider range of fresh food, clothing and leisure products as well as focusing on its value for money brand.

Asda's strategy appeared to be paying off with like for like sales up 9 per cent to £2.4bn, with little impact from inflation. Operating profits rose



Archie Norman (left), chief executive, with Patrick Gillam, chairman: faced most significant threat in south-east England

from £91.9m to £105m for the 26 weeks to November 13. Pre-tax profits were depressed by the absence of last year's £56.1m exceptional gains on disposals and fell by 34 per cent from £136.7m to £89.9m.

Profits were also hit by an increased loss of £14.4m (£11.9m) from the Allied Maples business. Both the carpet and furniture businesses have since been sold to management.

The store renewal programme was gathering pace, with 32 completed by Christmas at a cost of roughly £2m to £3m each.

Total capital spending in the first half was £126m, with a further £100m budgeted for the second six months.

Debt was down from £471.6m to £356.3m, following January's £347m rights issue. Interest charges fell from £51.9m to £7.9m.

The interim dividend is increased by 10 per cent to 0.55p. Earnings, hit by the absence of exceptional gains, fell from 4.87p to 2.03p. See Lex

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Asda's strategy appeared to be paying off with like for like sales up 9 per cent to £2.4bn, with little impact from inflation. Operating profits rose

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Unilever identifies new joint chairman

By Guy de Jonquieres, Consumer Industries Editor

Mr Niall Fitzgerald, the Irish-born head of Unilever's detergents operations, emerged yesterday as the heir apparent to Mr Michael Perry as joint chairman of the Anglo-Dutch food and consumer products group.

Mr Fitzgerald, 48, will become a vice chairman of Unilever in May. A year later he will join the "special committee", Unilever's most senior management body, whose other members are the group's joint chairmen.

Appointment to the special committee has long been viewed as preparation for the top job. Mr Perry is due to retire after four years as chairman in May 1996, when he will be 62.

If Mr Fitzgerald succeeds him, he will be one of young-est chairmen in Unilever's 63-year history and will also be the first not to be born British or Dutch.

The group also confirmed yesterday that Mr Morris Tabakshlat, currently third member of the special committee, will succeed Mr Floris Maaijers, who retires in May after 10 years as the group's Dutch chairman.

Mr Tabakshlat, aged 56, has played a leading role in reorganising Unilever's food businesses in the past few years and was closely involved in the late 1980s in acquiring US cosmetics companies, including Chesebrough-Pond's, Elizabeth Arden and Fabergé.

Mr Fitzgerald, who joined Unilever in 1987, is an accountant by training who has spent much of his career in financial posts.

In 1990, he was made responsible for all Unilever's food activities in northern Europe, and the following year was put in charge of the worldwide detergents side, which has annual sales of about \$6bn.

Chrysalis turns in £14.6m loss

Chrysalis, the music and entertainment group, yesterday announced a full year pre-tax loss of £14.6m, but said it would pay its first dividend since April 1991.

The result for the year to August 31 included £15.5m in trading losses and closure costs at MAM Leisure, the amusement machine arm, and other discontinued businesses.

This compares with a profit of £5.6m last year. The 1992 outcome included £11.6m in gains from the sale of Chrysalis Records to Thorn EMI.

The group has started a new recording division under the EMI label.

Turnover was £73.6m, against £65.9m. A tax credit of £5.6m reduced losses after tax to £9m.

The dividend is 3.25p. Losses per share were 34.44p (earnings 26.02p).

share to 185.52p as at October 5, against 134.19p a year earlier.

After-tax revenue for the six months dropped from £38.544 to £30.367 and earnings per share were 2.25p (2.88p).

Reliance Security rises to £991,000

Pre-tax profits of Reliance Security, the USM-quoted security provider, rose 10 per cent from £905,000 to £991,000 in the 27 weeks to November 5.

The improvement was struck on turnover marginally ahead from £34.1m to £35.3m and was helped by a reduced loss of £430,000 (£502,000) in the electronic surveillance business.

Mr Brian Kingham, chairman, said that although there were some positive signs, recovery from recession seemed likely to be slow.

The interim dividend is maintained at 1.1p, payable from earnings

Curtain lifts on MGM's new era

Martin Dickson on the studio's attempt to restore its reputation

(FIMBRA) FINANCIAL TIMES MAGAZINES 6034 14

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Cocoa slips but bulls undismayed

Cocoa prices wilted under the heat of heavy speculative selling towards the end of the week, although analysts remained bullish about the market's longer term prospects.

After sustaining a £32 fall to \$889 a tonne on Thursday the London Commodity Exchange's March futures position yesterday broke through a technical support area around the \$980 mark as selling by a US commission house and a UK broker snow-balled into a full-scale bear run. The next support area, at \$965 a tonne, was tested, but after a brief dip to \$963 a tonne the price bounced to \$967 a tonne at the close, down \$20 on the week.

The peaceful transition of power this week in the Ivory Coast, the biggest cocoa producer, following the death of veteran President Felix Houphouët-Boigny, had removed one factor that had been helping the market to hold on to recent gains. And sellers received further encouragement from indications that the Ivorians might market next year's mid-crop - harvested between April and June and amounting to about 15 per cent of the total - immediately, rather than with the main crop, as they did this year.

Traders said there was also some profit-taking this week ahead of the publication at the end of the year of European Union report that could recommend the use of more cocoa butter substitutes in the manufacture of chocolate.

Mr Lawrence Eagles, commodity analyst at London broker GNI, said he was still "a long-term bull towards cocoa" but thought the market had "got a bit ahead of itself and attracted a lot of speculative interest". It could fall to about \$900 a tonne, he said, but there remained strong buying interest.

The LCE coffee futures

market had a tranquil week, with prices locked in a narrow trading range. By yesterday's close the March position had surrendered an earlier \$13 rise to end the week \$3 down on balance at \$1,264 a tonne.

London Metal Exchange contracts built on last week's strong gains on Monday but then succumbed to a heavy bout of profit-taking that left much with net losses on the week.

Zinc traders appeared to put a mildly bullish construction on reports that weekend talks on plans for co-operatively financed European production cuts, though inconclusive, were "encouraging".

But, ironically, Tuesday

brought news that the Netherlands' Budel smelter, which had seemed doomed to closure because of environmental problems, had been saved by an eleven hour deal with national and provincial governments allowing the storage of hazardous, cadmium-containing waste. Budel supplies about 5 per cent of the western world's zinc.

That day saw a sudden reversal in the fortunes of the zinc market, the three months price ending a six-day, \$80-a-tonne advance with a \$37 fall to \$986.50 a tonne. But that fall could be mainly attributed to the sudden evaporation of the general bullish sentiment that had been pervading the LME, and in particular to a sudden sell-off in the aluminium market after a big rise in LME warehouse stocks was reported on Tuesday.

The three months price of zinc edged up \$1 over the past two days to end \$30.75 down on balance at \$987.50 a tonne; while the aluminium price bounced from a mid-week low of \$1,087.50 to close yesterday at \$1,114.50 a tonne, down \$22.25 on the week.

Richard Mooney

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

Close 1093.5-94.5 1114-15

Previous 1076-77 1097-97.5

High/Low 1085.5 1115/1105

AM Official 1085.5-86 1106-06.5

Keep close 1114-15

Open int. 273,516

Total daily turnover 32,381

■ ALUMINIUM ALLOY (\$ per tonne)

Close 972-74 995-97

Previous 962-64 989-96

High/Low 958-58 1000-00

AM Official 968-62 995-1000

Keep close 995-1000

Open int. 2,866

Total daily turnover 555

■ LEAD (\$ per tonne)

Close 487-68 489.5-91.5

Previous 469.5-70.5 483-84

High/Low 462-63 476-65

AM Official 462-63 476-65

Keep close 482-82

Open int. 33,382

Total daily turnover 45,816

■ NICKEL (\$ per tonne)

Close 5290-90 5340-45

Previous 5260-65 5310-15

High/Low 5250 5375/5270

AM Official 5260/5260 5310-15

Keep close 5320-25

Open int. 48,239

Total daily turnover 10,485

■ TIN (\$ per tonne)

Close 4770-80 4945-50

Previous 4770-80 4820-30

High/Low 4780-85 4855-60

AM Official 4780-85 4855-60

Keep close 4855-60

Open int. 16,098

Total daily turnover 6,113

■ ZINC, special high grade (\$ per tonne)

Close 988.5-89.5 987-88

Previous 984.5-85.5 983-84

High/Low 980 989/978

AM Official 980-81 987.5-88.5

Keep close 985-86

Open int. 89,885

Total daily turnover 14,845

■ COPPER, grade A (\$ per tonne)

Close 1723.5-4.5 1746.5-47

Previous 1722-23 1745-46

High/Low 1718 1753/1742

AM Official 1718-19 1742-43

Keep close 1754-55

Open int. 212,761

Total daily turnover 54,043

■ LME AM Official 2/5 rate 1,4880

LME Closing 2/5 rate 1,4820

Spot 1,4910 3 mths 1,4825 6 mths 1,4774 9 mths 1,4730

■ HIGH GRADE COPPER (COMEX)

Close 34.75 34.75

Previous 34.75 34.75

High/Low 34.75 34.75

AM Official 34.75 34.75

Keep close 34.75 34.75

Open int. 1,200

Total daily turnover 1,200

■ CRUDE OIL, WTI (\$ per barrel)

Close 22.00 22.00

Previous 22.00 22.00

High/Low 22.00 22.00

AM Official 22.00 22.00

Keep close 22.00 22.00

Open int. 1,000

Total daily turnover 1,000

■ CRUDE OIL, Brent (\$ per barrel)

Close 21.50 21.50

Previous 21.50 21.50

High/Low 21.50 21.50

AM Official 21.50 21.50

Keep close 21.50 21.50

Open int. 1,000

Total daily turnover 1,000

■ CRUDE OIL, Dubai (\$ per barrel)

Close 21.00 21.00

Previous 21.00 21.00

High/Low 21.00 21.00

AM Official 21.00 21.00

Keep close 21.00 21.00

Open int. 1,000

Total daily turnover 1,000

■ CRUDE OIL, Oman (\$ per barrel)

Close 21.00 21.00

Previous 21.00 21.00

High/Low 21.00 21.00

AM Official 21.00 21.00

Keep close 21.00 21.00

Open int. 1,000

Total daily turnover 1,000

■ CRUDE OIL, Singapore (\$ per barrel)

Close 21.00 21.00

Previous 21.00 21.00

High/Low 21.00 21.00

AM Official 21.00 21.00

Keep close 21.00 21.00

Open int. 1,000

Total daily turnover 1,000

■ CRUDE OIL, Thailand (\$ per barrel)

Close 21.00 21.00

Previous 21.00 21.00

High/Low 21.00 21.00

AM Official 21.00 21.00

Keep close 21.00 21.00

Open int. 1,000

Total daily turnover 1,000

■ CRUDE OIL, Vietnam (\$ per barrel)

Close 21.00 21.00

Previous 21.00 21.00

High/Low 21.00 21.00

AM Official 21.00 21.00

Keep close 21.00 21.00

Open int. 1,000

Total daily turnover 1,000

■ CRUDE OIL, Malaysia (\$ per barrel)

Close 21.00 21.00

Previous 21.00 21.00

High/Low 21.00 21.00

AM Official 21.00 21.00

Keep close 21.00 21.00

Open int. 1,000

Total daily turnover 1,000

■ CRUDE OIL, Indonesia (\$ per barrel)

Close 21.00 21.00

Previous 21.00 21.00

High/Low 21.00 21.00

AM Official 21.00 21.00

Keep close 21.00 21.00

Open int. 1,000

Total daily turnover 1,000

■ CRUDE OIL, Philippines (\$ per barrel)

Close 21.00 21.00

Previous 21.00 21.00

High/Low 21.00 21.00

AM Official 21.00 21.00

Keep close 21.00 21.00

Open int. 1,000

Total daily turnover 1,000

Precious Metals continued

■ GOLD COMEX (100 Troy oz; \$/troy oz)

Sett. price 387.4 +1.4 387.5 385.8 643 546

Dec 387.5 +1.4 387.5 385.8 643 546

Jan 388.9 +1.4 389.1 386.8 605.5 21.62

Feb 390.8 +1.4 391.1 388.9 12.034 5.45

Mar 392.7 +1.4 393.0 391.4 21.250 286

Apr 394.7 +1.4 394.2 394.5 5.699 2

Total 157,885 2,887

■ PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Dec 382.3 -0.3 382.5 385.5 6.282 1,190

Jan 385.7 -0.3 385.5 388.0 13.125 1,812

Feb 391.1 -0.4 390.5 388.0 13.125 1,812

Mar 391.2 -0.3 392.5 391.0 17.77 77

Apr 392.5 -0.3 393.0 392.5 1.88 18

Total 4,814 41

■ PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Dec 127.0 +1.20 - 15 2

Jan 128.0 -0.80 125.75 125.00 3.75 32

Feb 124.0 -0.80 124.00 124.00 52 7

Mar 124.0 -0.80 124.00 124.00 52 7

Total 4,814 41

■ SILVER COMEX (100 Troy oz; \$/troy oz)

Dec 501.7 +0.5 502.5 497.8 206 24

Jan 501.5 +0.5 - 31 1

Feb 502.5 +0.5 - 27 1

Mar 502.5 +0.5 507.5 498.5 60.784 17,225

Apr 508.3 +0.4 510.0 508.0 8.788 183

May 511.8 +0.4 514.0 504.5 13.093 18

Total 116,081 17,081

■ CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

Dec 14.18 -0.05 14.28 14.08 44,121 34,943

Jan 14.68 +0.05 14.77 14.48 46,441 44,441

Feb 14.68 +0.05 14.77 14.48 46,441 44,441

Mar 14.68 +0.05 14.77 14.48 46,441 44,441

Apr 14.68 +0.05 14.77 14.48 46,441 44,441

May 14.68 +0.05 14.77 14.48 46,441 44,441

Total 441,204 11,212

■ CRUDE OIL, WTI (\$/barrel)

Dec 13.69 +0.18 13.80 13.42 22,201 -

Jan 14.19 +0.14 14.22 13.90 19,482 2,582

Feb 14.69 +0.10 14.47 14.25 11,128 2,182

Mar 14.65 +0.16 14.58 14.34 10,594 2,592

Apr 14.69 +0.13 14.50 14.36 13,751 26,700

Total 137,621 26,700

■ HEATING OIL NYMEX (42,000 US gals; \$/barrel)

Dec 14.18 -0.05 14.28 14.08 44,121 34,943

Jan 14.68 +0.05 14.77 14.48 46,441 44,441

Feb 14.68 +0.05 14.77 14.48 46,441 44,441

Mar 14.68 +0.05 14.77 14.48 46,441 44,441

Apr 14.68 +0.05 14.77 14.48 46,441 44,441

May 14.68 +0.05 14.77 14.48 46,441 44,441

Total 441,204 11,212

MARKETS REPORT

D-Mark up

With the Bundesbank council meeting out of the way and only a handful of economic releases in the next two weeks, most currencies drifted sideways as traders waited for the year-end, unless *Comer Middle East*.

Following the Bundesbank's decision to leave its interest

DML7085 on Thursday. The dollar continued to firm against the Japanese yen, however, hitting a high of Y110.20. It finished at Y110.10, up from Y109.75 at Thursday's close.

"Having breached technical resistance at Y110, the dollar could push towards Y112 towards year-end," said Mr. Michael Burke, an economist with Citibank.

Unlike many economists who expect the dollar to rally against the D-Mark in 1994, Mr. Burke said he expects it to end the year around DML70.25. That compares with a market average 12-month forecast of around DML80, although some economists are calling for a rate as high as DML90 by the end of 1994.

"It's astonishing - if everyone is so bullish on the dollar, why isn't it going up?" Mr. Burke asked.

He expects the dollar to slip when the first quarter of 1994 shows that the US economy is

CURRENCIES AND MONEY

Dollar

DM per \$

1.73

1.72

1.71

1.70

1.69

1.68

1.67

1.66

1.65

1.64

1.63

1.62

1.61

1.60

1.59

1.58

1.57

1.56

1.55

1.54

1.53

1.52

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1.44

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1.40

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1.02

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1.00

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0.83

0.82

0.81

0.80

0.79

0.78

0.77

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LONDON STOCK EXCHANGE: Dealings

Details of business done below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Service.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Telford system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. † Bargains done the previous day.

British Funds, etc

Trustee 13% 2000/2003 £140 (140/2003)
Trustee 10% 2000/2003 £140 (140/2003)
Trustee 8% 2000/2003 £140 (140/2003)
Trustee 6% 2000/2003 £140 (140/2003)
Trustee 4% 2000/2003 £140 (140/2003)
Trustee 2% 2000/2003 £140 (140/2003)
Trustee 1% 2000/2003 £140 (140/2003)
Trustee 0.5% 2000/2003 £140 (140/2003)
Trustee 0.25% 2000/2003 £140 (140/2003)
Trustee 0.125% 2000/2003 £140 (140/2003)

Corporation and Country Stocks

London County 2 1/2% 2000/2003 £140 (140/2003)
London County 2% 2000/2003 £140 (140/2003)
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London County 0.015625% 2000/2003 £140 (140/2003)

UK Public Bonds

Agricultural Mortgage Corp PLC 5 1/2% Deb 2005 £140 (140/2005)

Foreign Stocks, Bonds, etc

(coupons payable in London)

Greenspring 4 1/2% 2000/2003 £140 (140/2003)

Greenspring 4% 2000/2003 £140 (140/2003)

Greenspring 3 1/2% 2000/2003 £140 (140/2003)

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Alfred Lyons PLC

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WORLD STOCK MARKETS

AMERICA

Dow climbs on triple-witching day

Wall Street

US stocks were building solid gains yesterday morning, fuelled by a more optimistic outlook on interest rates and heavy activity related to the "triple witching" expiration of options and futures contracts, writes Frank McGuffey in New York.

By 1 p.m. the Dow Jones Industrial Average was 14.81 higher at 3,740.95, and the more broadly based Standard & Poor's 500 was up 1.73 at 453.07. In the secondary markets, the American SE composite was 1.15 ahead at 462.59, while the Nasdaq composite was 3.34 higher at 758.87.

Mexico City saw strong demand for Telcel's lift the key index for a second straight day. By mid-session the IPC index had gained another 25.19 to 2,448.04. Telcel ADRs were up \$1 to \$62.75.

The triple-witching activity - triggered by the quarterly unwinding of options and futures contracts on stock indices, and options on individual stocks - lifted NYSE volume to 231m shares by 1 p.m. Advances declined by 1,305 to 705.

The market's direction, which is often erratic under such circumstances, was set by a reassuring article on Federal Reserve policy in The Wash-

ington Post. It quoted unnamed senior Fed officials as dismissing the fears of Wall Street analysts that the central bank would boost short-term interest rates before unambiguous signs of inflation surfaced. Their comments appeared to have had a calming effect on the bond market, which reacted with equanimity to more bullish news on the economy.

By midday, the inflation-sensitive 30-year government bond was a firmer at 99 1/4 in thin trading.

The latest piece of evidence suggesting strong fourth-quarter growth came from the Commerce Department, which said that November housing starts

had risen by 3.9 per cent in November to a seasonally adjusted rate of 1.43m, the highest level since February 1990.

The strong report, coupled with diminished concerns over the Fed's intentions, led to a broad-based rally in equities.

Banking issues were given a particular boost from expiration-related trading. Citicorp was up 1/4 to \$38, Banc One 1/4 to \$39, Wachovia 1/4 to \$33 and SunTrust Banks 1/4 to \$30.

Chase Manhattan added 1/4 to \$34 1/2 after First Interstate agreed to acquire its Arizona operations for \$102m. First Interstate slipped 1/4 to \$83 1/2.

Among individual stocks, IBM was marked up \$1 to \$98 1/2 after Merrill Lynch lifted its estimate of the company's 1993 performance from break-even to earnings of 5 cents a share.

Canada

TORONTO was higher at midday as gains in most sectors offset losses in mining issues. The TSE 300 composite index was 9.13 higher at 4,225.30 in volume of 29.7m shares. Advancing issues led declines by 344 to 293, with 334 unchanged.

The metals and minerals index, down 43.89 to 3,368.23, was the only one of Toronto's 14 sub sectors to decline.

Profits in perplexity for German shares in 1993

David Waller on Frankfurt's bourse performance

The German stock market has been profitable but perplexing during the course of 1993.

Profitable, for as the year draws to its close, the DAX index of 30 leading shares looks set to close nearly 40 per cent higher than at the beginning of the year.

Perplexing, because the share price rises - which range from 20 per cent in the building and cement sector to 50 per cent for insurance companies - have often been decoupled from fundamentals.

"The companies in the worst state have been the best performers," comments Mr Tom Holmes, head of equity research at Schröder Münchener Hengst in Frankfurt. "I have been absolutely baffled by the differentiation between the performance of companies in the same sector."

He points out that in the topsy-turvy world of German equities, Volkswagen has outperformed the more resilient BMW. Viag has proved a better investment than the more robust RWE... and so on throughout the market.

The performance of the market as a whole has been underpinned by at least three broad positive factors.

The first is that German interest rates, already down dramatically from their peak in the summer of 1992, will continue to fall in 1994. Kleinwort Benson, for example, expects the discount rate to fall from 5.75 per cent now to 4 per cent or below by the end of next year.

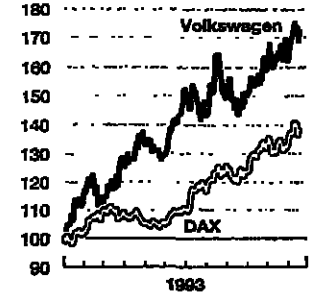
Disappointing data on money supply growth this week has done nothing to change this picture. M3, the Bundesbank's trusted measure of broad money, climbed at an annualised, seasonally adjusted rate of 7.2 per cent in November, up from 6.9 per cent in October. But according to the Hypo-Bank, for one, inflation is set to drop towards the magic 2 per cent level by 1995, allowing the Bundesbank to carry on cutting rates.

The second support for the market comes from companies

moves to rationalise their costs. The recognition that costs must be cut - however damaging to the social aspect of Germany's social market economy - is widespread in German industry. Companies such as Volkswagen, Luft-hansa and Daimler-Benz,

Germany

Index and share price rebased



Source: Datastream

in the past year would have been a recipe for missing out on large share price rises. Has anything changed now?

Mr Andrew Thomson at Kleinwort Benson identifies a number of significant risks which - at some stage towards the end of the first quarter of next year - may bring the market's euphoria to an end.

Politics cannot be ruled out as a destabilising factor. There are at least 20 regional, national and European elections scheduled for next year in Germany. As Kleinwort notes, there are a number of smaller, regional elections in March and April which - as in Brandenburg earlier this month - may trigger protest votes from disillusioned voters.

Financial markets are likely to be upset by a surge in support for far-right parties or a deepening of the uncertainty surrounding the future of Chancellor Helmut Kohl's coalition government.

Another potential problem is that the impact of corporate rationalisation turns out to be less far-reaching than expected, exposing current valuations as excessively optimistic. A first indication of whether this is the case will emerge two or three months into next year when Germany's big industrial groups report their final figures for 1993.

This danger will be exacerbated if the economy recovers more quickly than expected: rationalisation is difficult to implement where the interests of the workforce come ahead of those of shareholders. It is only the severity of the current downturn that has forced management to attack costs and, if pressure relents, it is likely that relations between management and labour will revert to the comfortable pre-recession status quo that worked to the disadvantage of shareholders.

In the words of Mr Tom Holmes at SMH, the message to shareholders in Deutschland AG must be: "Hang on tight, keep your eyes closed - and your ears open."

EUROPE

News and comment spice senior bourses

News and comment continued to spice the technical preoccupations of the Paris and Frankfurt bourses yesterday, writes Our Markets Staff.

PARIS was led higher by futures buying, particularly by domestic investors, the cash market responding with a gain of 36.18, or 1.7 per cent in the CAC-40 index to 2,196.44. This left it just 0.1 per cent lower on the week, in turnover of FF80m.

Michelin was one of the best performers of the day, rising FF6, or more than 3 per cent to FF199. Mr Christopher Will, of Lehman Brothers in London, said that the shares of Michelin and other European tyre-makers were responding to Thursday night's US news of a Goodyear increase of 3 per cent in downmarket replacement tyres - long awaited, and following price weakness in a very soft US replacement market in the second and third quarters of 1993.

On the downgrade, Euro Disney fell 85 centimes to FF34.55 after a report said that its banks had rejected a solution to its financing problems from its parent, Walt Disney, until an audit was carried out.

FRANKFURT fielded the expiry of DFB monthly and quarterly futures and options contracts with little pain for share prices, the DAX index

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES									
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	
FT-SE Eurotrack 100	1414.51	1414.89	1415.57	1418.40	1418.77	1419.58	1418.85	1419.34	
FT-SE Eurotrack 200	1495.23	1495.25	1494.38	1497.29	1498.44	1497.88	1495.22	1496.75	
	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 11	Dec. 10		

INVESTMENT TRUST

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394	3.9	373.6	0.
396	3.9	373.6	0.
398	3.9	373.6	0.
400	3.9	373.6	0.
402	3.9	373.6	0.
404	3.9	373.6	0.
406	3.9	373.6	0.
408	3.9	373.6	0.
410	3.9	373.6	0.
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414	3.9	373.6	0.
416	3.9	373.6	0.
418	3.9	373.6	0.
420	3.9	373.6	0.
422	3.9	373.6	0.
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472	3.9	373.6	0.
474	3.9	373.6	0.
476	3.9	373.6	0.
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482	3.9	373.6	0.
484	3.9	373.6	0.
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492	3.9	373.6	0.
494	3.9	373.6	0.
496	3.9	373.6	0.
498	3.9	373.6	0.
500	3.9	373.6	0.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594</
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Weekend FT

SECTION II

Weekend December 18/December 19 1993

A life of sex, food and fighting

Cock-fighting is legal, with a mass following in parts of the world. Nick Woodsworth meets breeders and punters

Bobby Fernandez, Rolly San Juan and I were sitting at the back of the Country Chicken Restaurant in Pasonanca, a suburb of Zamboanga City in the south Philippines. Bobby's wife owns the place, so we were doing pretty much as we pleased: telling stories, helping ourselves from a bottle of Johnny Walker sitting on the table, and working our way through huge plates of fried chicken.

Rolly is a columnist for the *Zamboanga Morning Times*, and gets around. He is a keen political observer, an inveterate sports addict, a gambler, an admirer of women and a collector of anecdotes. He was telling us about the first time he had seen the infamous "Henny" in action in a cock-fight in Cebu. A new breed of fighting cock imported from the US, the Henny had taken Filipino cock breeders,

punters, and especially the cocks themselves, by surprise.

"The local champion struts into the pit, and what does he see?" said Rolly with a smile. "Not the usual opponent with neck flexed and hackles bristling, but what appears to be a doleful grey hen staring at him with love-struck eyes."

"Naturally he completely forgets that he is a total killing machine, strolls around behind the Henny, and prepares to do what cocks do best after fighting. And then - POW! - like lightning the Henny turns round, sidesteps him, and sinks three inches of steel into his ribcage. The champ keels over stone dead. The Henny is not a hen at all, but a cock bred by the Americans to look like a hen."

Bobby Fernandez laughed, but he and Rolly sat mulling over the story, a perfectly true one, with more than casual interest. It is not because his wife runs a chicken restaurant that Bobby will sit up at night after night with friends discussing the finer points of man's feathered friend. Like Rolly, like thousands of inhabitants of Zamboanga, like millions of enthusiasts all over the Philippine archipelago, Bobby is a "cocker" - a keeper, trainer and fighter of game cocks.

Basketball may be the Philippines' national sport, but cock-fighting is its national passion. Many Filipinos, even those living in urban areas, keep a few fighting cocks simply for the pleasure of having them around. Rolly keeps a dozen, and fights them in a local Zamboanga cockpit on Sundays. But he spends a good deal of time with them every day, holding and stroking them, talking to them, admiring them - Filipinos, he assured me, are often more interested in their cocks than their wives.

Bobby Fernandez is in a different category altogether. As we chatted in the restaurant late into the night, we were not alone; on the broad green lawns that surrounded us outside, more than 60 fine fighting cocks sat roosting on perches in the dark. On Bobby's breeding and training farm in La Paz, 3,000 feet up in rugged, jungle mountains behind Zamboanga, were 200 more. Fighting cocks are not just a consuming passion for Bobby, but a profitable living as well.

In most parts of the world cock-fighting is regarded as a cruel and barbaric sport, and is banned. Although highly popular in England from medieval times, it was outlawed by Queen Victoria in 1849. In the western hemisphere today cock-fighting is legal only in Mexico, Panama, Ecuador, Guatemala and certain US states generally regarded by the liberal estab-

lishment as "redneck" - Alabama, Mississippi, Louisiana, Oklahoma, and the like. Even there the sport is conducted behind closed doors and far from prying and critical eyes.

Nor, juridically at least, is cock-fighting any better regarded in the East. Although illicitly practised in Thailand, Malaysia, Indonesia, Vietnam and much of the rest of Asia, only in the Philippines does it have a legal, mass following.

Here it is a thriving, multi-million dollar industry supported by enthusiasts ranging from rickshaw drivers to federal congressmen. In the Manila area alone there are more than 20 cock-pits, some of them seating 15,000 spectators, hosting more than 30,000 fights a year. Cock-fighting is actively supported by the government, at times even

like cock-fighting.

I say all this by way not of disparagement, but of compliment. I too "enjoy" sitting round wasting time and talking about inconsequential things such as cocks that look like hens. It is an enormous relief from the rest of the Asian continent's obsessive and increasingly unbalanced concern with economic growth. In Singapore, for heaven's sake, gum chewing has become illegal because it is messy and unproductive.

I am no more pro-bloodsports than I am pro-gum-chewing. But I would rather live under a government that permits cock-fighting than one that feels threatened by Juicy Fruit. And after you have met a cock or two, the moral questions that surround the sport seem to fade in significance.

"There are three things that cocks like more than anything in the world," Bobby explained to me as we drove in his jeep across the jungle lowlands towards La Paz. "They are food, sex, and fighting." So far cocks sounded pretty much like human beings to me, and I said so.

"Yes, but the thing about the cock is that given the choice of the three, he will choose fighting every single time."

Perhaps there, I had to admit, was the difference with human beings - given the choice, a lot of us would spend a great deal of time dickering over the decision. But not the cock. "It is territoriality, it is the protection of his hens," Bobby said. "The fighting instinct is so deep he cannot help himself. What we do at La Paz is provide the perfect environment of food and sex - it is the cock himself who develops his fighting form to perfection."

As training camps go, it sounded pretty good to me.

And Bobby was not exaggerating. Two and a half hours later, after having climbed 3,000 feet over some of the steepest and roughest dirt roads I have ever seen, we arrived in what could only be described as cock heaven.

Far below lay the heat and high humidity of the tropical lowlands, the stink, noise, and dirt of urban Zamboanga. Here, in the cool and misty uplands, was a hidden valley surrounded by tropical hardwood forests, stands of giant bamboo, groves of pine and banana trees. And as far as one could see up the valley itself, tethered to roosts spread evenly over a smooth undulating surface of meticulously kept lawns, were fighting cocks - not dozens, not hundreds, but thousands of cocks, each strutting, crowing, preening and thinking

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The Long View / Barry Riley

Profits of gloom



In the London stock market, 1993 is positively roaring towards its close. Since the Budget on November 30, the All-Share index has added 6 per cent and the total return for the full year (capital gain plus gross dividend income) is now 25 per cent.

But the star turn in the UK securities markets has been provided by gilts. The yields on long-dated UK government securities have tumbled from 8.75 to 6.5 per cent and, in the extreme case of the irredeemables (such as War Loan) the total return has been 41 per cent.

Looking back at what I was saying in this column at the beginning of 1993, it is clear that I was too cautious. Surveying the equity market, I judged that large capitalisation stocks such as those in the FTSE-100 index would find it hard to make progress in 1993, although there would be money to be made in recovery stocks and second-liners.

Certainly, the smaller stocks did their stuff - the new SmallCap index has achieved a return of 36 per cent - but even the market leaders managed a decent turn of speed in the second half-year.

Nevertheless, I got some things right. I was correct to believe that the prevailing economic consensus - which, a year ago, suggested no more than 1 per cent growth for the UK in 1993 - was overdoing the pessimism. Growth will certainly turn out to be 2 per cent, and perhaps 2.5 per cent or more when the final numbers are added up.

I also resisted the common tendency to be too pessimistic about gilts: at least two of the big securities houses (tactfully, I won't name them) were forecasting that gilt yields would have to go to 10 per cent before the government would be able to finance its £50bn borrowing requirement. The gilt problem could be solved, I said in January, so long as short-term interest rates were cut: the government were to embrace so-called "underfunding" (finance through banks); and, most importantly,

if the government were to raise taxes so as to be able to promise a lower borrowing requirement in 1994-95.

Eventually, the government got all of this right, although the faltering approach of Norman Lamont, then the chancellor of the exchequer, in the spring meant that the main positive response came only in the second half of the year. Indeed, by the middle of it, the market leaders in the Footsie index were showing scarcely any progress.

By then, however, I was changing my forecasts, recognising the possibility of a liquidity-driven surge in the market. The second half of the year, I said at the beginning of July, would prove more exciting, at least until US interest rates were raised late in the year. Of course, the tightening by the Federal Reserve has not yet happened so the background has remained serene.

Two factors, global and local, have given new impetus to London's markets in the past few months. First, money flooding out of the US at the rate of \$100bn a year from international mutual funds and diversifying pension funds has sent nearly all the bond and stock markets around the globe much higher (the exception being the Tokyo equity market).

This surplus of international liquidity has rendered positively laughable all those concerns early in the year that the British government, through its excessive demands for finance, might place the domestic capital market under undue pressure. Domestic and foreign investors have not only lapped up all the gilts - they have eagerly swallowed £12bn of UK equity issues as well.

Secondly, the positive domestic factor has been the adoption of a tough fiscal policy by the government. It was in April that I first began to dwell on the possibility of a gilt-edged bonanza as yields tumbled from the then ruling 8.4 per cent to perhaps 6 per cent. Unfortunately I could not really believe it.

When Kenneth Clarke became chancellor at the end of May, however, I

argued that he had a great opportunity to get a grip on the budget and turn the tables on the markets: investors, instead of sitting back comfortably in the knowledge that they could deal on a take-it-or-leave-it basis with the endless supplies of high coupon paper heading their way, might be panicked into chasing a declining supply of gilts on rapidly falling yields. It seemed a fantasy at the time, but it is now happening.

Against this background of tumbling bond yields, the equity market has been pulled higher, although the fundamental valuations are stretched. Company profits are showing reasonable growth this year, and earnings per share could be 15-20 per cent higher for 1993, although the picture is very patchy as various recent individual company profits warnings have shown; dividend growth has been predictably poor and was damaged further by the unexpected tax hit on pension fund dividend income in the spring, as a consequence of which dividends on the All-Share index have actually fallen by 2½ per cent this year.

In international terms, the UK equity market, despite its recent acceleration, has not performed very well this year. The global pattern has confirmed once again the old rule that you should buy shares in recessions, not in conditions of decent economic growth.

It looks as though 1993 will have turned out to be the most depressed year for the industrialised global economy (excluding the US) ever recorded by the OECD, which is estimating zero growth. But the FT-Actuaries World ex-US index is showing a gain of 28 per cent (in dollars); even the wobbly Tokyo market has provided good returns for unhedged foreigners, thanks to the super-strong yen.

On the other hand, Wall Street has lagged. The US economy, with nearly 3 per cent growth, might have glittered in a dismal global environment but American equities are up only about 6 per cent on the year (the narrowly-based Dow Jones Average glamourises the general trend). Buy the recovery story, sell the fact.

RETIRING WITH MONEY TO INVEST - WHAT IF INTEREST RATES LOSE THEIR INTEREST?

Interest rates have dropped again. Which, if you happen to keep most of your money in a building society, means a drop in your standard of living.

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FOR A MORE REWARDING RETIREMENT



KNIGHT WILLIAMS

MARKETS

London

The Bank flexes its muscles

By Maggie Urry

It is the season of hopefulness. A time to believe in fairy godmothers. Father Christmas and a brighter future. If there be cynics among us, let them wait until the new year to mutter "humbly".

So let us suspend our disbelief and look to a golden future when Tiny Tim does not die and the Footsie index reaches 3,500 by the end of January.

It has been an extraordinary week. The chance of peace in Northern Ireland, a Gatt agreement which offers the prospect of growing, harmonious world trade - unless you happen to be a South Korean rice farmer - and economic numbers appearing to promise that disinflationary growth can be a reality. And the Footsie rose 75.8 points over the week to close at another record, 3,337.1.

Inflation for the year to November is steady at 1.4 per cent with the underlying rate at 2.5 per cent, the lowest for 35 years.

Unemployment has fallen again, to its lowest level for 15

months. The Confederation of British Industry asserts that order books are improving.

On top of all this, there are hopes of a base rate cut in everyone's Christmas stocking, with the prospect of more to come in the new year.

No wonder then that the Footsie index has reached new highs, breaching the 3,300 mark and promising to carry on upwards. Many strategists are looking for the index to reach 3,500 by the summer. If that becomes the consensus view, the market will get there much sooner.

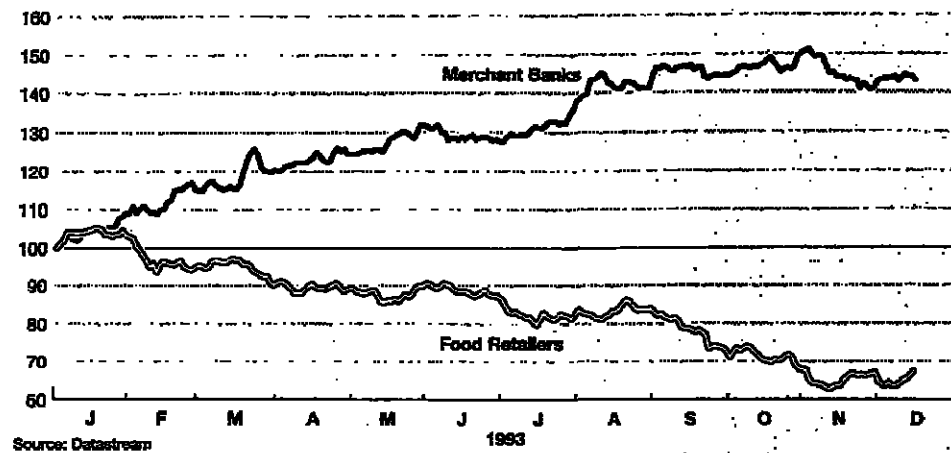
But, wait. What is this grim spectre rattling his chains, peddling doom and gloom boxes. Not Jacob Marley, but Rupert Pennant-Rea, deputy governor of the Bank of England.

Pennant-Rea raised the spectre of Christmas Past - our old enemy, stagflation. That ugly combination of a stagnant economy and high inflation.

If the spirit of Christmas Future is to be disinflationary growth - and some economists need to think up a catchier

Selling stocks beats selling beans

FT-A sectors relative to the FT-A All-Share Index



Source: Datastream

name for this cheerful idea - then, Pennant-Rea warned industry this week, it should not raise prices but go for volume growth instead.

The penalty of not doing as he asks could be a rise in base rates. Pennant-Rea was flexing the Bank's semi-independent muscles.

Perhaps he was observing the 1.8 per cent drop in manufacturing input prices in the year to November and the 3.6 per cent rise in output prices over the same period.

The gap might suggest a little margin rebuilding has been going on. But with demand in the economy weak, price increases in the UK will be hard to achieve - even if exporters do appear to have taken advantage of sterling's weakness to raise prices.

In the longer term, though, industry will refrain from increasing prices only if there

is a huge cultural change after such a long spell of inflation. After years of recession companies want or need to widen margins.

And after years of cost-cutting, price increases are the attractive option. If cost-cutting and investment to improve efficiency are to be the means of raising margins, then unemployment could remain high.

If the economy truly is entering a new, golden era of low inflation and growth, perhaps margins do not need to be as wide as they have been in the past. But the market will need some convincing.

One sector which has embraced the Pennant-Rea philosophy already is food retailing. Prices have been cut to try to increase volume, although there is little evidence that the trick has worked.

Profits are under pressure - as Asda admitted yesterday - and, as the chart shows, the sector is one of the worst performers of the year. So much, says the market, for going for volume and not price.

By contrast, the merchant banks are one of the best-performing sectors. They have managed to increase volumes without cutting prices. And a look at the Trafalgar House rights issue this week - that unhappy company's third in two years - shows just how lucrative the business is. Of \$455m raised, \$405m went to the Bank of England, warned of "substantial losses".

While merchant banks prosper, so do investment managers.

Results from M&G for the year to September showed

funds under management rose by 45 per cent. Shareholders benefited, too, with a 38 per cent rise in the final dividend planned. Net assets at Electro, the venture capitalists, rose by 23 per cent over the year.

Shareholders in regional electricity companies have also seen a continuation of the trend to bid rises in interim dividends, although many companies have warned investors that at least part of the rise was to re-balance the two half-yearly payments.

Elsewhere, the trend of corporate news has been bad. As well as Trafalgar House's miseries - a loss of £347m after property write-downs and exceptional costs totalling £397m, and a cut dividend - Fisons, the pharmaceutical group has been in the wars again.

There have been a number of boardroom departures. Chief executive Cedric Sorensen was sacked this week after refusing to resign. Patrick Egan, chairman, said instead of profits forecast at £100m the company would only break even.

Dorling Kindersley, the publisher which floated last year, issued its second profit warning in a fortnight and waved goodbye to its managing director.

Pentos, the Dillons bookshop group which last month replaced Terry Maher as chairman by Sir Kit McMahon, former deputy governor of the Bank of England, warned of "substantial losses".

But corporate gloom need not dominate. The real world takes a while to catch up with what the market anticipates. And the market clearly believes in a golden future.

Serious Money

Three cheers for the good guys

By Philip Coggan, personal finance editor

The press spends so much time criticising the financial services industry that it is nice, for once, to be able to give an unreserved welcome to a change in business practice.

Two building societies, the National and Provincial and the Leeds, committed themselves this week to transfer all savers in obsolete accounts into up-to-date accounts, paying higher rates of interest. The transfer will occur automatically and should be completed by March (at N&P) and May (at Leeds).

The naïve might have assumed that this practice would be commonplace; after all, building societies are supposed to be owned by their members. But when the subject comes up, most societies tend to mutter darkly about the costs involved.

There are two elements to this cost. The first is the administrative burdensome business of writing to all depositors to tell them when new accounts are opened, and of writing to holders of obsolete accounts to persuade them to transfer.

National and Provincial has been through this process already. In 1991, it established a "Bee Guided" initiative with a freephone line giving advice and information; it also wrote to every saver.

The results certainly were impressive. When the initiative started, an amazing 64 per cent of N&P savers had obsolete accounts; by December 1993, the number had fallen to 25 per cent.

The second element of the cost is the extra interest which must be paid to those who switch accounts. This is a hefty bill. According to N&P, some £20m is invested in obsolete accounts, saving banks and building societies around £800m a year in interest.

N&P says it has around £380m in such accounts, spread across 600,000 savers; at the

Leeds, 1m customers have 2450m in out-of-date accounts. And some of these accounts are very long-standing indeed; the Whitehaven Old Series, for example, pre-dates the second world war and pays 0.5 per cent a year gross to its 13 savers.

All the account-holders who are transferred will be better off, either by receiving a higher interest rate or better terms and conditions. Savers can keep special features of old accounts, such as the ability to pay standing orders. The Leeds says savers can even keep their old passbooks, if they wish.

These changes will be expensive for the two societies involved. Leeds said it would cost £4.5m in the year to end-September 1994 and £5m in the following year; N&P said it would cost up to £5m a year in extra interest.

So, what about these costs? The first thing to note is that this change is providing a benefit to some (but not all) of a society's members, which seems to be the point of running a building society in the first place.

Furthermore, cost does not deter societies from expensive, generic advertising campaigns which are of dubious benefit to their members.

It is possible to argue that, by attracting new savers through advertising, the society might benefit from economies of scale; but it is by no means true that the size and efficiency of societies are correlated directly.

What is much more likely is that a larger society means larger salaries for the executives.

One could also argue that, without public name awareness, societies might so dwindle in size that the safety of depositors' money could be affected. But other factors - such as poor judgment of loan risk - are likely to be far more

important. The low rates on obsolete accounts are, of course, used by the societies to subsidise the rates paid to other depositors. So, it could be argued that, if all societies followed the lead of N&P and the Leeds, savings rates would have to be cut for the mainstream accounts.

Why, after all, should those savers who do keep track of their money be penalised in order to reward those who cannot be bothered?

It is certainly true that many of the obsolete accounts will involve small sums (300,000 of these at the Leeds have less than £10 deposited). People probably have moved house and forgotten about the old account, or they have died and their relatives are unaware that it exists.

Nevertheless, some of the account-holders will be the elderly or disabled who may not be able to make regular trips to their branches to keep up to date with account changes. They may depend heavily on the interest they earn from their savings.

Furthermore, building societies have such a good public image that some people may honestly believe that "those nice folk at the society" would not allow them to be disadvantaged.

Such savers deserve to be protected and one can only applaud "those nice folk" at the N&P and the Leeds for taking the right action.

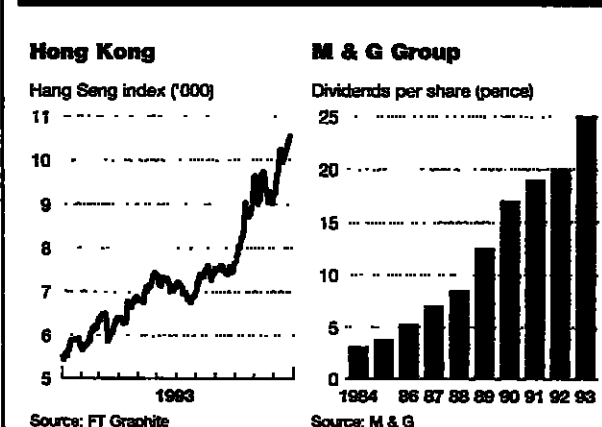
If other societies follow suit, and savings rates do fall marginally across the industry, at least savers have the option of switching their funds into National Savings or unit trusts.

They should even consider the "obscure-sounding" (but lucrative) world of zero coupon shares, which offer yields of 7-8 per cent, tax-free, for those people who do not use their annual capital gains tax allowance.

HIGHLIGHTS OF THE WEEK

	Price	Change	1993	1993	
	YTD	on week	High	Low	
FT-SE 100 Index	3337.1	+75.8	3337.1	2737.6	Base rate hopes
FT-SE Mid 250 Index	3691.7	+90.4	3691.7	2876.3	Private investor interest
BP	348	+33	362%	225	Bullish UK & US presentations
Berkley Group	510	+50	510	295%	Profits up 82%
Dorling Kindersley	245	-65	355	210	Profits warning
Eurotunnel Ltd	526	+50	526	332	Tunnel opens/refinancing approved
Fisons	112	-25	251	102	Company flags poor earnings
Greenalls	445	+36	447	347	Recent results
HSBC (75p share)	885	+47%	870	480	Switching from Standard Chartered
Legal & General	501	-23	546	408%	SIB report
National Power	469	-24	475	273	May avoid MMC reference
Pentos	24%	-10	63	24	Profits warning
PowerGen	526	+28	530	273	May avoid MMC reference
SmithKline Beecham A	405	+30	513	373	Drug approval in the US
Woolsey	873	+65	878	533	Interest rate cut hopes

AT A GLANCE



Chinese ire fails to dampen Hang Seng fire

Hong Kong's Hang Seng stock market index continued to soar, hitting record highs on Thursday and Friday this week. Investors appeared to shrug off the Chinese government's angry response to electoral reform proposals put forward by HK governor Chris Patten. China warned on Thursday that British trade with China would suffer from the row over democratisation, but this did not damp market confidence: the Hang Seng index gained 4 per cent to 10,339.66 on Thursday and posted a second record high on Friday with a further gain of 2.22 per cent to close at 10,568.86. Local brokers say foreign institutions are keen buyers.

Markets like M&G's 36% rise

A 36 per cent increase in the final dividend meant that the results of fund management group M&G were well received by the markets this week. The group has benefited from the strength of world stock markets and from a revival in its own relative investment performance, since sterling left the Exchange Rate Mechanism on Black Wednesday. M&G follows a value approach to stock-picking which does badly in recessions. However, the company's consistency is reflected, not only in the performance of its unit trusts, but in its dividend paying record; the payout has increased eightfold since 1984.

First Direct cuts rates

First Direct has cut its interest rates for borrowers. Mortgage rates are now 7.84 per cent (APR 7.9) for loans under £50,000, and 7.49 per cent (APR 7.7) for larger loans, effective from December 10 for new borrowers and January 4 for existing customers. The interest rate for Visa cards is to be cut to 1.55 per cent a month (typical APR 21.4 per cent for purchases), personal loan rates to 9.75 per cent (typical APR 18.9), and the unauthorised overdraft rate on the premier cheque account to 8.5 per cent (EAR 8.8 per cent) all from January 4.

The three-dimensional cheque

The Guinness Mahon private banking group is issuing its customers with cheques incorporating a hologram as a security feature, the first bank in Europe to do so. Holograms prevent the cheques being copied on colour photocopyers, a tool increasingly used by fraudsters. Other security features, including tamper-proof inks, will help prevent alteration of payees and amounts. The British Bankers Association said that cheque counterfeiting amounted to a potential loss of £58.5m in 1992.

Benefits Agency sets its standards

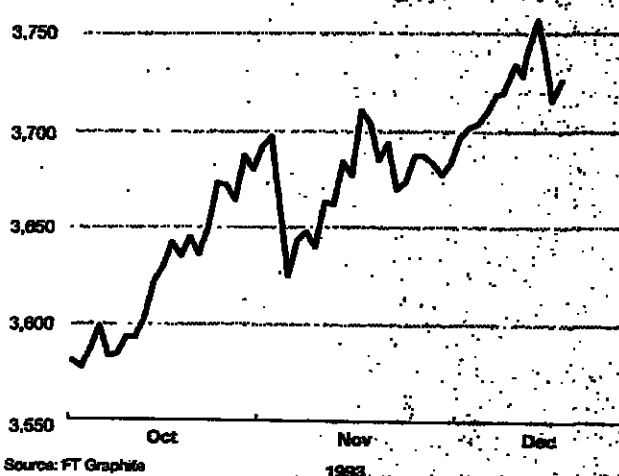
The Benefits Agency, which administers state social security benefits, has launched its second Customer Charter, setting new standards for its quality of service. New benchmarks include a normal waiting time of no more than 10 minutes to see the receptionist, and responding to letters within 10 working days.

Smaller companies join the rush

Smaller company shares are joining in the general stock market euphoria. The Hoare Govett Smaller Companies Index (capital gains version) rose 1.3 per cent from 1609.28 to 1629.65 in the seven days to December 16.

Wall Street
Dow surges on while others languish

Dow Jones Industrial Average



Source: FT Graphite

sell 2000 index 3.5 per cent. All three remain below their all-time highs. In the past, when the Dow has continued to rally to peaks while other, broader indices have lagged, it has been the sign of an exhausted bull market.

The weakness in secondary stocks has taken its toll on the market for initial public offerings, or company flotations. This week several IPOs of

small, growth-oriented companies were postponed at the last minute, with underwriters citing "unfavourable market conditions" as the reason for the hasty withdrawal.

Although a rash of pulled IPOs might be viewed as evidence that the market has overreached itself (the theory being that conditions in the IPO market have deteriorated because investor accounts,

already full-to-the-brim with new stock, are being much choosier about which new issues they should buy), there may be another explanation for all the postponements.

The underwriting calendar, which is normally quiet at this time of the year, has remained unusually active this month, and underwriters are finding that there are simply too many IPOs for investors to handle. So companies have been shelving flotation plans, but most will probably return to the market in early 1994, when they expect demand from investors to remain strong.

If a deterioration in the IPO market is not on the cards, what might be lurking around the next corner that could trigger the sharp correction in the Dow that the weakness in secondary stocks has suggested may be imminent?

Perhaps a foreign political crisis? Although the Dow set a record high on Monday, it fell 50 points in the next two sessions, and traders blamed the losses on nervousness about the situation in Russia, where ultra-nationalists won a large share of the vote in last week's parliamentary elections.

The nationalist party's leader, Vladimir Zhirinovskiy, has pledged to rebuild Russia's armed forces, has talked of reviving the nation's expansionist ambitions and has made threatening comments about Russia's neighbours. This kind of talk makes US investors nervous, even if the far right in Russia is unlikely to hold the reins of power in the new parliament.

And if developments in Russia do not trigger a panic, the situation in North Korea, which continues to make beligerent noises about South Korea, could, if it deteriorates any further, prove sufficiently disturbing to set off a stampede of selling. This may not be a particularly festive thought, but for the stock market Christmas has often been the season - the Soviet invasion of Afghanistan, the start of the Iran-Iraq war - of nasty external shocks.

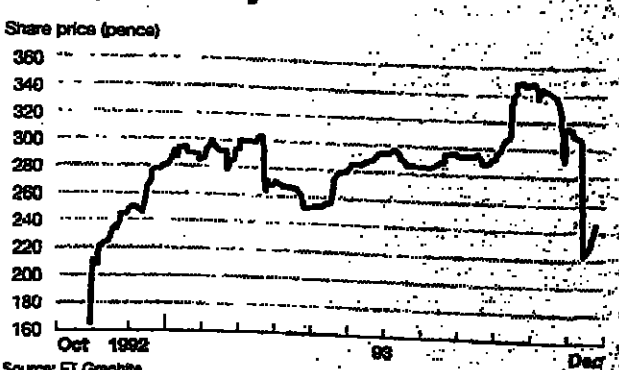
Patrick Harverson

Monday	3764.43	+ 22.76
Tuesday	3742.63	- 21.80
Wednesday	3716.93	- 25.71
Thursday	3726.14	+ 09.22

The Bottom Line

A slip from the leading edge

Dorling Kindersley



Source: FT Graphite

Even if the group was guilty of taking its eye off the ball, Dorling Kindersley's biggest problem this week has been the puncturing of inflated expectations. This particularly related to its pioneering role in multimedia, using CD and computer technology to com-

bine text, images and sound. Analysts - and journalists - are intrigued, while financial institutions are keen to have some stake in what could clearly be the next information revolution. Unfortunately, there are few quoted vehicles in this field, so Dorling Kinder-

sley's flotation could scarcely have been better timed.

The fact that a 20 per cent stake in the group is held by Microsoft, Bill Gates's US computer software group, did nothing to lessen City interest.

The intermediaries element of last October's offer was six times oversubscribed, and 12 months later the shares were selling on an incredible multiple of 25 times historic earnings. Such a sky-high rating leaves no room for disappointment; and the market's reaction to recent bad news has been predictably dramatic.

Gill, who joined as finance director in August, says the group understands its core books "business well and can reliably predict future revenue, in spite of a one-off problem such as Tiptree, which in any case only handles about 20 per cent of group sales. The unpredictability arises in its new

businesses such as DK Education, which has been slower than expected to take off, and - above all - in multimedia.

Dorling Kindersley says about 10m computers capable of running multimedia programmes will be delivered worldwide next year. DK's first title, Musical Instruments, published by Microsoft last year in the US and now selling for £49 in the UK, has already won four international awards. The potential is clear, but Gill says it is difficult to tell when revenue will arrive.

This week's warning that pre-tax profits for the year to next June would be less than the £9.55m achieved last time puts the shares, after a small recovery, on a forward multiple of 23 times earnings - still hefty premium to the market.

Many investors have been attracted by DK's beautifully illustrated books and high-tech potential, but have balked at the share price. For brave hearts who like quality and can afford a punt on information trends, this week's fall offers a buying opportunity.

Andrew Bolger

دورلنگ كيندرسلي

FINANCE AND THE FAMILY

Your starters for '94

Philip Coggan asks stockbrokers for their trust predictions

Stockbrokers can be right after all. Last year, the *Weekend FT* asked four private client brokers to select three unit or investment trusts for 1993. All picked portfolios which outperformed the All-Share index, even allowing for dividend income, and three beat the sector average for investment trusts.

It was a very good year for owners of investment trust shares. The FT-A investment trust index has risen 39.2 per cent to date, benefiting from a narrowing discount and the strong performance of overseas stock markets. Even so, our experts, who produced returns ranging from 26.8 to 58.1 per cent, did extremely well. Thus encouraged, we asked them to repeat the exercise for 1994.

Paul Kilik, of Kilik & Co, was the top performer for 1993. He says: "Having focused on the UK market for 1993, I am introducing a stronger international flavour for 1994. With higher income trusts looking expensive, I have given income a lower priority."

"Once again, I am leading with Law Debenture. The trust offers an attractive combination of a yield only slightly below the market, a broad international spread of investments with 37 per cent overseas, and a first class record of asset growth. The published premium to asset value is misleading as it places no value on the company's fiduciary business. The trust, managed by Henderson Touche Remnant, is Pap-qualified."

"Pantheon International Participations would be classed as a higher risk holding because it involves investment in unquoted companies. However, as the trust invests in other venture capital funds, rather than directly into the companies themselves, the assets are very broadly spread. With 47 per cent in the UK and 45 per cent in the US, I consider Pantheon an attractive vehicle in which to participate in the recovery of smaller unquoted businesses."

"The ordinary shares of T.E. Technology are a more speculative investment as they are considerably geared. The trust

invests in international high technology companies and has 47 per cent in the UK and 43 per cent in the US. It is due to be wound up in 1998, and zero and stepped preference shares have first call on the assets, at a cost of £258m. The whole trust is valued at about £265m and the excess is available on wind-up to the 36m ordinaries."

Monks remains among my favourites. Baillie Gifford comes across as a fairly conservative house but it is prepared to take big bets within Monks, both at the stock and country level. Intelligent use of gearing has also consistently enhanced the growth in assets and has helped on the revenue side. A sound core holding."

Japan is a problem area, but one cannot discount the possibility that the authorities will take further measures to stimulate the economy. Fleming has an established reputation for investment in this area."

Brian Tora, of Greig Middleton, whose selections rose 45.1 per cent, feels inclined "to play the geographic game, backed with management I feel I can rely on."

Tora says: "If Europe does come out of recession next year, then the continental bourses may have further to go, so I would plump for Fidelity European Values. In Anthony Bolton, it has one of the most respected European fund managers. The fund has large concentrations in the more familiar markets of France, Holland and Germany but is also invested in peripheral areas, such as southern Europe, and has a heavy weighting in Scandinavia."

"The recently issued Fleming Chinese Fund could also be added to a portfolio, providing the investor has either banked some of the gains achieved last year or is able to sit out the short-term fluctuations that might arise. If like me, you believe the capitalist revolution in China is unstoppable, then this has to be an integral part of any long term growth portfolio."

"Finally, for those with a nose for special situations, the Sphere Investment Trust income shares look interesting at their price of 41p. The trust yields 9.5 per cent, so at least it should pay its way. If the stock market continues its upward path, there could be a useful gain from the gearing element. Of particular interest, however, is the fact that the trust has only 18 months left to run. Already, we are seeing an increasing number of restructurings as fund managers seek to retain the money they have been managing. It would not surprise me if something similar happened to Sphere."

The first pick of Nigel Sidebottom, of Gerrard Vivian Gray (who managed 26.8 per cent from his 1993 picks), is a Lloyd's vehicle, Premium Trust, which was launched in

Paul Kilik's 1994 selections			
Trust	Price (p)	Yield (%)	Discount*
Law Debenture	745	3.1	-15.0
Pantheon International	191	0.3	10.2
TR Technology Ord	131	1.7	—

1993 selections		% gain†
Law Debenture		35.4
Monks		29.3
Dayton English & International		109.6
Average gain		58.1

* sign indicates premium, † including dividend income. ‡ Published figure for discount is 47.7 per cent. However, if one allows for the redemption value of other share classes, the Ords are on a substantial premium. Figures for 1994 selections correct as of December 16.

Edwin Lilley's 1994 selections			
Trust	Price (p)	Yield (%)	Discount*
Monks	544	1.5	8.2
Murray Smaller Markets	474	1.1	3.5
Fleming Far Eastern	418	0.3	8.3

1993 selections		% gain‡
Trust		
Scottish Investment		27.4
Fleming Mercantile		15.5
River & Mercantile Capital		113.1
Average gain		52.0

* sign indicates premium, † including dividend income. Figures for 1994 selections correct as of December 16.

(ie around 20p per share at present).

The selections of Edwin Lilley, of Bell Lawrie White, have produced a return of 53 per cent. Lilley says: "I have a curious sense of déjà vu as I look forward to 1994."

"Most of our hopes for 1993 have yet to be fulfilled - Japan and large tracts of Europe are in recession, while the improvement in the US and UK has been sluggish at best, and real interest rates are still too high. Against this background the selections for last year could still do well in 1994."

"However, my selections start with Monks Investment Trust. It is difficult to ignore the large generalists and

"The emphasis in Murray Smaller Markets has been switched back to smaller and less accessible markets, with exposure to Japan and the US now almost negligible. The smaller markets in Asia and Latin America now account for nearly half of the portfolio. It almost falls into the emerging markets category, but the manager has the freedom to move back into larger markets if circumstances dictate. This flexibility gives the trust a distinct advantage over the emerging market specialists."

"Fleming Far Eastern provides exposure to the Far East, including Japan. It invests, therefore, in some of the most dynamic regions in the World.



Brian Tora's 1994 selections			
Trust	Price (p)	Yield (%)	Discount*
Fidelity European Values	160	0.5	-6.8
Fleming Chinese	123	n/a	-1.9
Sphere Income	41	9.5	—

1993 selections		% gain†
Trust		
Merchants		29.3
Alliance		20.5
Abtrust New Dawn		85.5
Average gain		45.1

* sign indicates premium, † including dividend income. ‡ Sphere Income shares trade on a published 22 per cent discount but this does not reflect the redemption value of other classes of share. Figures for 1994 selections correct as of December 16.

Nigel Sidebottom's 1994 selections			
Trust	Price (p)	Yield (%)	Discount*
Premium	94	n/a	1.6
Gartmore Shared Zeros	105.5	7.95	n/a
F&C Emerging Markets	123	0.3	-3.9

1993 selections		% gain‡
Trust		
Bankers		45.5
St David's Income		18.6
Jos Zeros		15.4
Average gain		26.5

* sign indicates premium, † including dividend income, ‡ indicates gross redemption yield. Figures for 1994 selections correct as of December 16.

December in parallel with its sister company, Premium Underwriting. Sidebottom says: "Premium Trust raised £19.8m but benefits from a £12.2m free loan from Premium Underwriting. In return for the loan, PT's capital is pledged to Lloyd's to enable PU to increase its underwriting capacity."

"The attraction of this arrangement for PT is the benefit of the interest free loan. The effective cost of the loan is the risk that the capital will be called to cover Lloyd's losses incurred by PU. However, shareholders in PT can be comforted by the fact that PU will reserve a third of underwriting profits against future losses."

"PT will be managed by Martin Currie, which will pursue a similar investment strategy to that adopted for Securities Trust of Scotland - namely, an international portfolio providing an above average income. PT is trading on a wider discount than Securities Trust."

"The market is, therefore, putting no value on the interest free loan, despite the yield enhancement of around 3-5 per cent and the gearing effect if assets rise. In my view, the shares should trade at a premium to asset value."

For his second choice, Sidebottom picks the zeros of Gartmore Shared Equity. "With interest rates still falling, net returns from cash deposits and

gilts hold little attraction. Zero dividend preference shares are still a must for taxpayers who are not making full use of their annual CGT allowance, and are wary of committing too much money to the equity market."

"The Gartmore zeros redeem on April 30 2002 at a price of 100p, and the final redemption value is already covered over 1.2 times. If held to redemption, the shares will provide an annual compound growth of 7.9 per cent. The trust's underlying portfolio would have to fall by 17 per cent between now and April 2002 before the return from the zeros would be diminished."

"Emerging market funds had an excellent run in 1993 but

still have plenty to offer. With individual markets highly volatile, one should select a well managed global fund such as Foreign & Colonial Emerging Markets."

"At the year-end, the trust had 37 per cent in the Far East with the largest holdings being in Malaysia, South Korea and Hong Kong, the latter being used primarily as a means of gaining exposure to China. Around 36 per cent of the portfolio was in Latin America, with the largest holdings in Mexico and Argentina."

"The shares trade at a premium to asset value but alternatives, such as Templeton Emerging Markets, are on even greater premiums."

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\$5,000	50%	\$176	50%
\$10,000	55%	\$243	55%
\$20,000	61%	\$367	61%

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FINANCE AND THE FAMILY

Trapped in a company flat

The Leasehold Reform, Housing and Urban Development Act 1993, was designed to give people the right to buy a 99-year extension of their lease and the right to band together with other tenants to acquire a building's freehold. These rights are available if (1) you qualify under the Act; (2) the property is a flat; (3) the rent is low; and (4) the lease is long.

Unfortunately, if you do not qualify under the Act, and your lease obliges you to seek consent from your landlord for a sale or assignment, you could discover that not only are these rights denied you, but also your lease may be less marketable – and consequently less valuable – than you had thought.

What happens if the lease is owned by a tenant, such as a company, which does not qualify under the Act, and this company wishes to sell the lease? If the lease requires the landlord's consent on a sale, and the sale is to a tenant who does not qualify under the Act, such as an individual, then the landlord can prevent the sale by refusing to give consent.

In most leases, landlord's consent cannot be withheld "unreasonably". However, court decisions under earlier similar legislation have decided that a landlord who withholds his consent in these circumstances may not be acting unreasonably.

Investors still choosing between business expansion schemes should be wary of being caught by the end-December deadline. The Inland Revenue says that for an investment to qualify for tax relief, the shareholding must be entered on the company's register of members on or before December 31.

Investors who leave things to the last minute will depend on the efficiency of the sponsors to ensure this is done. But since the amount raised has accelerated in the past week, it suggests there are still many investors.

Industry analyst BBSI Investment said £70m was raised last week and £50m the week before. It estimated yesterday that arranged exit schemes worth £120m were still available, of which £80m were top quality.

It could be safer to send your cheque by courier or express service. Best BES Advice, published by the Allenbridge Group, suggests checking first if the issue has raised its minimum subscription: "If an issue fails to reach its minimum subscription, it will be unable to

invest unreasonably. For example, the landlord could reasonably argue that giving consent would reduce the value of his interest in the building.

According to my colleague, George Littler, "if landlords are able to withhold consent in this way, the marketability of residential leaseholds owned by corporate tenants will be restricted. This could depress their values significantly in certain areas and could create a two-tier market in residential

company such as a Jersey company. This is why Joe was advised to buy the 65 year lease of a flat in Chelsea through a Jersey company.

When the flat was first bought, Joe's visits to the UK were well under 90 days a year and he had full time employment abroad. He was therefore technically not resident in the UK, and the only tax he was advised to plan to avoid was inheritance tax. His circumstances, however, changed a

refused this because, after Sally has occupied the flat for three years, she will be entitled to buy an extended lease, and after she has occupied for 12 months she would be able to participate in the collective acquisition of the freehold.

What can they do? The landlord could not normally refuse consent if Sally bought the flat through a company herself. However, if she did that she could create for herself the following tax liabilities:

a double charge to tax, under anti-avoidance legislation, and she will not have improved her inheritance tax position.

Given these tax consequences, is there anything Sally could do?

Depending on the terms of the lease, it may be possible for Sally to buy Joe's company or to form a company to buy the flat. Immediately thereafter, the company could execute a declaration of trust to hold it on trust for her.

The sale to Sally's company should not be refused consent by the landlord because it is to another company, which will not qualify under the Act. The subsequent declaration of trust is probably not an event which requires landlord's consent, although a careful review of the lease will need to be made to be sure.

Under this arrangement: ■ there will be no income tax charge under the benefit in kind legislation; ■ if the house is her main or only residence there will be no capital gains tax charge on sale, let alone a double tax charge; ■ if Sally is not keen enough on the Chelsea flat to go to these lengths, she would be well advised to look for another property, either a property owned by a qualifying tenant or where the landlord's consent is not required.

In some areas of central Lon-



don the corporate tenant market may be large enough to ensure that the value of residential leasehold properties, such as Joe's flat, is not greatly depressed. However, it may have an adverse effect on

property owned by a corporate tenant which is not in an area popular with foreign buyers. The Act will not, however, stop people like Joe planning to avoid tax since problems created by the Act can quite

easily be avoided by buying the flat in your own name, as nominee for your tax efficient offshore company. ■ Caroline Garnham is a tax and trusts specialist with solicitors Simmons & Simmons

The Leasehold Act is creating a two-tier property market. Caroline Garnham looks at dangers for some owners

leasehold property."

But why would anyone wish to buy their flat through a company in the first place? "Take Joe, for example. He was born and brought up in South Africa. He is therefore treated as a non-UK domiciled person for tax purposes. This is a particularly advantageous status which Joe was advised to maximise with careful tax planning.

Inheritance tax, which is chargeable at 40 per cent on death, is charged only on UK assets for people such as Joe. Although any flat he buys in the UK is a UK asset, it can easily be converted into a non-UK asset if it is bought through a non-UK registered

few years later when he became UK resident. Because of his South African origins, he remained non-UK domiciled and continued to retain a favoured tax status.

He was then advised that as a UK resident he could become liable to capital gains tax and income tax, but as a non-UK domiciliary, he could avoid these taxes by putting his Jersey company into an offshore trust, which he did.

Joe wants to move. His trustees are happy for him to do so and have instructed the Jersey company to sell. An English woman called Sally wants to buy the flat but the lease requires the landlord's prior consent. The landlord has

■ an income tax liability on the benefit of being provided accommodation by a company. This charge is quite onerous especially if the purchase price is more than £75,000;

■ if the acquiring company is a UK company, she will have created a double capital gains tax charge. Tax will be charged once on the gain made by the company and for a second time, when she liquidates, or sells, the company to recover her funds. The tax would be based on the increase in value of her shares. This could have been avoided if the flat had been bought by her as her main, or her only, residence;

■ if the company is resident offshore, again she could have

Act fast or miss the BES

issue shares. By the time you are notified, it may be too late to invest elsewhere in the BES market."

Some sponsors have made special arrangements and many are keeping their offices open this weekend. Johnson Fry will take telephone bookings up to noon on December 31. Its chairman Charles Fry expects all issues to be sold out by then. The company launched its second Mortgage Express Super Growth scheme on Thursday and had raised £2.5m of the £10m issue by yesterday lunchtime.

The contracted exit price of 120p after five years for every 100p invested equates to an annual return of 14.49 per cent to a higher-rate taxpayer

investing at the 99p subscription price up to December 31. The scheme will acquire mostly repossessed properties from Mortgage Express, a subsidiary of the TSB Bank, which is to fulfil the buy-back obligations of Mortgage Express if ME does not. Minimum investment is £3,000.

MMI is running a BES collection service for investors in its schemes from December 23 until December 30. This is available to those investing at least £5,000. Close Brothers is also running a BES hotline.

Bristol Residences Companies, sponsored by Hodgson Martin, will finance accommodation to be let on assured tenancies to students and staff of the University of Bristol. The fixed exit price is 122p, equating to 14.3 per cent to a higher-rate taxpayer. Minimum investment is £2,000.

■ For further details of these schemes, ring Best BES Advice (071-400-1111) and BES Investment (071-936-3037).

Scheherazade Daneshkhu

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/term	Minimum deposit	Rate %	Inst. paid
INSTANT ACCESS A/c's					
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.50% p.a.
Skipton BS	High Street	0798 700511	Instant	£2,000	6.75% p.a.
Northern Rock BS	Postal	0500 505000	Instant	£10,000	6.85% p.a.
				£20,000	7.10% p.a.
NOTICE A/c's and BONDS					
North of England BS	Edinburgh 30	091 510 0048	30 Day	£25,000	7.25% p.a.
Teachers' BS	Minster 60	0800 378889	30 Day	£1,000	6.50% p.a.
National Counties BS	90 Day	0372 742211	90 Day	£10,000	6.80% p.a.
Chelsea BS	Base Rate Plus 1	0800 772505	1,4,5	£5,000	7.50% p.a.
MONTHLY INTEREST					
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.50% p.a.
Bristol & West BS	Balmore Monthly	0800 100117	30 Day	£10,000	6.50% p.a.
West Bromwich BS	180 Day	021 825 7070	180 Day	£50,000	7.25% p.a.
TESSAs (Tax Free)					
Dudley BS	0394 231414	5 Year	£10	7.87% p.a.	Yy
Huddersley & Rugby BS	0455 251224	5 Year	£25	7.75% p.a.	Yy
Milton Keynes BS	0384 636327	5 Year	£1	7.70% p.a.	Yy
National Counties BS	0372 742211	5 Year	£3,000	7.70% p.a.	Yy
HIGH INTEREST CHEQUE A/c's (Gross)					
Caledonian Bank	NICA	081 558 8235	Instant	£1	6.00% p.a.
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00% p.a.
				£25,000	6.80% p.a.
Northern Rock	Current	0800 591500	Instant	£50,000	6.85% p.a.
OFFSHORE ACCOUNTS (Gross)					
Woodwich Quayway BS	Woodwich Int'l	0451 715735	Instant	£500	8.25% p.a.
Confederation Bank (Jy)	FlexiLine Int'l	0534 608080	60 Day	£10,000	6.75% p.a.
				£25,000	7.00% p.a.
Yorkshire Quayway Ltd	Key Extra	0481 710150	180 Day	£50,000	7.75% p.a.
GUARANTEED INCOME BONDS (Net)					
Consolidated Life FN	Investment A/C	081 940 8348	1 Year	£2,000	4.30% p.a.
Property Life FN	Income Bonds	0800 521546	2 Year	£25,000	4.78% p.a.
Financial Assurance FN	Capital Bonds H	081 367 8000	3 Year	£50,000	5.20% p.a.
Financial Assurance FN	First Option Bond	081 367 8000	4 Year	£50,000	5.65% p.a.
Liberty Life FN		081 440 8210	5 Year	£5,000	6.00% p.a.
NATIONAL SAVINGS A/c's & BONDS (Gross)					
	Investment A/C		1 Month	£20	6.25% p.a.
	Income Bonds		3 Month	£2,000	7.00% p.a.
	Capital Bonds H		5 Year	£100	7.25% p.a.
	First Option Bond		12 Month	£1,000	6.00% p.a.
HAT SAVINGS CERTIFICATES (Tax Free)					
	4 Year Issue		5 Year	£100	5.40% p.a.
	7th Index Linked		5 Year	£100	3.00% p.a.
	Childrens Bond F		5 Year	£25	7.35% p.a.

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable). OM = Interest paid on maturity. Net Net Rate. A = Rate guaranteed to be 1.5% above base rate (min 7.5%) until 2.4.54 and then 1% until maturity. B = 10 days and loss of interest on all withdrawals. Rate guaranteed to be 2.5% p.a. G = 6.5 per cent on balances of £25,000 and over. Rates set to fall from Jan over. Rates set to fall from Jan 1. H = 7.25 per cent on balances of £25,000 and over. Rates set to fall from Jan over. 2B, 1 = 6.5 per cent on balances of £20,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Lane, North Walsham, Norfolk, NP23 0BD. Readers can obtain a complimentary copy by phoning 0692 500577.

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A new world of opportunity

John Cuthbert looks at the mounting attractions of international growth unit trusts

For years, buying an international growth unit trust meant geographical diversification, with a dollop of Far East exposure thrown in for spice. Not any more. Technology, increasing global competition and emerging stock markets have shaped a new world of investment opportunity.

These changes have transformed the character of the international growth sector. Trusts now come in three broad shapes and sizes: global growth, emerging markets and specialist (from small companies to bio-technology).

The differences between the investment objectives, the managers' constraints and the risks of these different types of international trust are now so great that investors must take them into account when assessing past performance. The best way to do this is to treat each of these three types of separate classifications in their own right. For these reasons, we will be reviewing the international growth sector in two parts*, starting with global growth funds and following with emerging market and specialist funds.

This division also helps to redress the domination of the cumulative total return tables by emerging market and specialist funds – a situation which obscures the existence of a number of global growth performances of equal worth.

The main aim of this review is to spotlight the funds with the best historical performances. To do this, we have adopted three performance standards. The first is the FT-As World ex-Japan index, which acts as our benchmark for selecting the best performers. Only funds that have outperformed this index in the four years to November 30 1993 are worth considering. We have selected the World ex-Japan index rather than the FT-As World simply because the high weighting and poor performance of the Japan market has acted as a considerable drag on the World index. Thus, managers could have beaten the FT-As World simply by underweighting Japan alone. How managers have reacted to Japan is an important measure of their asset allocation skills but should not be the overwhelming one.

A global growth fund could just as easily have beaten the benchmark by exposure to the emerging markets. In fact, this is exactly what many funds have tried to do, with trusts increasing their emerging markets holdings. Baring Global, for example, has maintained a 25 per cent emerging market weighting. Martin Currie International Growth has opted for even more. For these reasons, performance assessment has to take risk into account. So, our second performance standard is the ratio of a fund's risk to

INTERNATIONAL GROWTH SECTOR									
Fund names	Year	Total return per cent	Benchmark per cent	BM ratio	Risk relative to sector	Risk description	Risk/return		
Perpetual Pep Growth	1990	1.9	21.2						
	1991	27.3	1.3						
	1992	26.3	-0.7						
	1993	31.3	13.1						
TOTAL		22.8		1.74	1.06	AVERAGE	0.35		
Abbey International	1990	-15.6	3.7						
	1991	20.4	-5.6						
	1992	19.0	-8.0						
	1993	42.5	24.3						
TOTAL		28.7		1.25	1.02	AVERAGE	0.27		
BOI Worldwide Opportunities	1990	-18.8	0.6						
	1991	26.9	0.9						
	1992	41.8	14.8						
	1993	36.5	18.3						
TOTAL		78.2		1.66	1.39	HIGH	0.28		
BOI Brit and Overseas	1990	-15.5	3.9						
	1991	24.7	-1.3						
	1992	32.6	5.6						
	1993	20.3	5.1						
TOTAL		23.8		1.28	1.1	ABOVE AVE	0.25		
Scottish Equitable Worldwide Tactical Performance	1990	-22.6	-3.2						
	1991	29.8	3.8						
	1992	20.9	-5.1						
	1993	43.5	25.4						
TOTAL		62.6		1.31	1.16	ABOVE AVE	0.24		
Martin Currie International Growth	1990	-17.7	1.7						
	1991	34.4	8.4						
	1992	18.5	-8.5						
	1993	30.2	12.0						
TOTAL		60.7		1.27	1.16	ABOVE AVE	0.23		
Framlington International	1990	-21.2	-1.9						
	1991	60.7	34.1						
	1992	17.7	-9.4						
	1993	21.0	2.8						
TOTAL		68.0		1.43	1.34	HIGH	0.22		

KEY TO TABLE: Years are November-to-November. NB The four year total is based upon monthly percentage changes so does not sum to the four year total. The benchmark column shows the difference between the fund's return and the sector's return. The BM or benchmark ratio represents the percentage outperformance by the fund over the four years. Risk is total risk or volatility. Total risk is measured by the monthly standard deviation over four years to November 30. Risk relative to sector is each fund's standard deviation divided by the sector's average standard deviation of 4.62. Risk description is the division of the four year average monthly total return by the four year monthly standard deviation. Return data is offer-to-offer, net income reinvested. Source: Hargreaves Stafford Wright. Other calculations: J. Cuthbert.

its return. The figure for the FT-As World ex-Japan index is 0.21. Good fund managers must aim to beat this.

This approach has produced dramatic results. Strong total return performers like Baring Global, Templeton Global, GAM International and GT International, which are otherwise well-managed, are excluded from our "magnificent seven" list because of their higher than average risk profiles. On the other hand, Martin Currie and Framlington International Growth have achieved high risk/return scores in spite of their higher risk. This is evidence of managerial ability.

The final standard is consistent outperformance of the chosen benchmark. Each fund's performance has been divided into four year-on-year total

returns. It is paramount that performance should be assessed in this way, rather than on a cumulative basis.

In the past four years, most global funds have been very wrong on Japan. But a four-year cumulative total return figure does not show this because many global funds also have a heavy UK weighting. The explosive performance of the UK market in the past year has allowed many managers to catch up all they have lost in the previous three.

Consistency is a way to measure the success of the manager's asset allocation strategy. Like our other two measures, consistency is a measure of manager ability.

In all, the international growth sector has 159 funds. We have surveyed the 80 or so of these which qualify as

global growth funds with four-year records, and the seven best performances are shown in our main table.

To these seven could have been added a further four. Rock Asset Managed, Cannon Global, GA Growth Portfolio and GT International have all beaten the benchmark on a total return and risk/return basis. In addition, there are younger funds with risk/return performances that would have merited inclusion here were it not for their youth. The best of these are Clerical and Medical UK and Overseas, Newton General, Prosperity Global PEP, and Smith & Williamson Thorobred.

Although our top seven have been ranked on the basis of risk/reward scores, these figures reflect different strengths and weaknesses. Framlington

and BOI Worldwide Opportunities, for example, have made their way into the top seven despite their high risk ratings. But that is about all they have in common.

Whereas BOI Worldwide has the most distinguished record of outperforming the benchmark consistently, Framlington's stock-picking history has been a roller-coaster ride. Interestingly, Framlington's strong 1991 performance was the result of quality stock selections in the US market where most other managers have failed to make headway.

BOI, by contrast, has done well in Hong Kong, another market where many managers have fought shy. Also, it has maintained a very high exposure to emerging markets; hence the high risk rating. Investors have been rewarded for this risk, hence the high risk/return score.

Martin Currie International's calamity was to have been exposed to Latin America when the Bolsa turned belly-up, and its 1991 record suffers as a result. Otherwise, this is a slight blemish on a record which stands out for many reasons – including getting Japan just about right.

The tactical emphasis of Scottish Equitable's Worldwide Tactical performance trust is at once both the fund's strength and an insight into the sector's most troubling weakness. Whereas most international growth funds maintain some exposure to a core group of markets regardless, Scottish Equitable buys only in those markets which it deems attractive.

The most striking statistic is the 1990 return of the Perpetual PEP Growth and Income fund; that year, the World ex-Japan index lost 19.35 per cent and the international growth sector followed suit. But Perpetual PEP Growth made money out of a highly defensive UK equity strategy. Indeed, like BOI British and Overseas and Newton, Perpetual maintains a minimum proportion of the fund in UK equities. In part, its high risk/return rating results from the UK's strong performance, but its steadiness is helped also by success

MINDING YOUR OWN BUSINESS / FINANCE AND THE FAMILY



Fun factory: Ted Gaffney, managing director of Gaffney of Tiptree, which makes novelty goods

Novelties have not worn off

Clive Fewins visits a family business that has been big in party hats for 40 years

They were in turmoil at Gaffney of Tiptree over what to wear at the family party for Ted Gaffney's 70th birthday. Should it be the fireman's hats, or the glitter crowns. Father Christmas masks, or stars and stripes bow ties? Perhaps a combination of all these might be more suitable...

"In the event we'll probably settle for plain suits and dresses," said grandfather Gaffney, managing director of party novelty specialists Gaffney of Tiptree. "We don't like to be too outrageous - not in public, at least!"

The family business has specialised in the outrageous since the end of the second world war when Bow-born Arthur Gaffney, then 47, had to find something to make instead of pumps to remove the water

from air raid shelters. The only material to hand was plywood. There were tons of off-cuts, scrap from a local company that had made wooden wings for aircraft. Arthur started making toys, he was joined in 1948 by his three sons, Arthur, now 72, Ted, 70, and Reg, now 67.

The quartet moved the business twice before moving 50 miles north of London to a former builders' merchant's 16-acre site on the edge of the Essex fruit growing village of Tiptree 18 years ago.

There they decided to concentrate on novelties. "Cheap imported toys were making our products less and less competitive. We had been building up our stock of party lines and knew there was a good market for many of them," Ted said.

The workforce, full and part-time, numbers 120, and

there are 200 outworkers. "The quiet patch after the Christmas boom does not usually last very long," Ted said. "At the end of November we had a rush for fairy wands and tiaras to be delivered to theatre gift shops in advance of the pantomime season. As soon as Christmas is over we shall have to gear ourselves up for Valentine's Day."

The Gaffneys supply many British stores with seasonal novelty items. They claim to be the only UK company with an automated line manufacturing party streamers, and their warehouse usually stocks 100m balloons.

"At peak times we pack 1m balloons a day," said Ted. "All our balloons come from Mexico. They are among the 10 per cent of our lines that we import, but they account for about 20 per cent of our turn-

over. Most other products we make here, but because they are mostly cheap items, made of cardboard and plastic, our profit on turnover is low - we aim at about 12 per cent."

Last year was the best in the company's history. Turnover was £2.75m.

"In times like the present people often don't have the money for large items such as holidays and cars, so they often spend their money on small inexpensive things like our novelties," Ted said.

"There is scarcely a day when we are not working on some new line," said Reg, who is chief ideas man and works closely with his son Raymond, 38, to develop products.

The Gaffneys have lost count of their total lines, but a glance at their multi-coloured catalogue reveals at least 500, if you can be bothered to count. These all sell in shops under the Galaxy brand name, but a high proportion of the output also sells under the own brands of many of the big high street chains.

"Our association with Woolworths goes back 32 years. It was 1941 and the bombs were dropping when a Woolworths buyer knocked on the door of dad's original factory in Walthamstow to ask if there was anyone in the area who made things for kids," Ted said.

The brothers do not know what proportion of their products end up overseas, except in the case of punchboards. They manufacture several hundred different designs of these under the brand name Money Makers. These are fundraising devices used in clubs and by charities all over Europe, and are made in nine languages.

In the late 1960s, when the Gaffneys were trying to get into punchboards (originally a US idea), they had problems working out how to insert the tickets into the boards. Ted went to Chicago and bought machines built in the 1920s by associates of Al Capone. They are still functioning in the Gaffney factory, and are lovingly maintained by the fifth man Gaffney in the business, 43-year-old Paul, son of Arthur. Irene, who is married to Ted, supervises the payroll and Arthur's wife Louise, looks after the accounts.

Hats and other novelties form about 50 per cent of turnover. Of the other novelties three of the biggest lines are tooters, blowouts and bubble kits. The bubble filling department is one of the biggest in the factory. At peak times there is a staff of 12, stirring the magic brew - there are 17 separate ingredients in the secret recipe - and packing the tubes into boxes.

"There used to be about 10 companies making bubble tubes in this country. Now there's just us and one small competitor," said Ted. "We keep a careful eye on him."

Bubbles are a big spring line. Early in the new year a number of the Gaffneys' staff will move into the bubble department to form a double shift.

"It is one of our lines that seems to just grow and grow," Ted said. "Sometimes we wonder when the bubble is going to burst."

Gaffney of Tiptree, Progress House, 50-72 Newbridge Road, Tiptree, Essex CO5 0HZ. Tel: 0621 815910.

Computing / Jean Miles

Programs to work out your taxes

If self-assessment of income tax arrives as promised in 1996, we can be sure that a clutch of helpful computer programs will follow. Some are already with us. On the software houses to which we might expect to look for help, such as *Intuit* and *Sage*, hesitate to get involved with this murky subject. I can see why.

A tax practitioner was quoted in the *Weekend FT* recently as saying: "It is amazing how intelligent people seem to have difficulty with their tax returns." Perhaps I might explain.

Sorting out the paper work and filling in a tax form is not particularly difficult. Deadly, but not difficult: rather like doing the ironing. But understanding a tax inspector's thought processes when the assessment comes home, now that's another matter. Few of the figures on the assessment seem entirely to match the ones I submitted. Why? What has happened to the covenants? Why has part of my husband's personal allowance been transferred "elsewhere", away from PAYE?

A tax accountant told me that his professional estimate of a client's tax liability never turned out to correspond precisely with the official assessment.

Similarly, when I tested five personal tax programs using the figures I had submitted with our most recent tax returns, no two of them produced the same answer.

Self-assessment is not going to work until the tax rules and their application, however extensive and complicated, are as unambiguous as the London street map or the rules of chess; and until a way is found to make straight the paths leading from the tax return to the assessment.

The available computer programs fall into two categories: cheap and expensive. The cheap ones cost £50 or less, the expensive ones about three times as much. The difference lies in the greater sophistication of the expensive ones, and in the fact that they have share portfolio modules which will calculate capital gains tax as well as manage the lists of dividends and tax credits.

A cheap program, the Consumers' Association's *TaxCalc*, came closest to the right answer for our own tax liability (I think).

This program does not always get the press it deserves, because the Consumers' Association will not send out review copies, and journalists do hate paying for anything.

TaxCalc leads users in commendably clear fashion through the tax return. I am sure its success at getting the answer stems from that clarity. It also sets out its results

clearly, and prints a report which you can sign and submit as your return. An extra bonus: it runs from a single floppy disk.

There are drawbacks: you cannot update *TaxCalc*; next year, you will have to buy it all over again. And you cannot enter the particulars of your income in this program. You will have to go through the printed report at the end and fill in the name and address of your employer and your building society, the recipients of your charitable contributions and so forth. If you have a substantial share portfolio, adding the names of the individual shares afterwards is not really practicable. But even in that case, this program is an excellent way to check your tax

to get advice on the subject. The current versions of *Tax Adviser* and *Personal Tax Planner* leave capital gains tax out altogether.

The expensive programs are edging towards the sort of thing an accountant might use. *Vital Software's Tax Reckoner* is an old friend; I have recommended it before. A *Windows* version is planned for next year. *Microhelp's* personal tax program is a newcomer, billed off from a suite of programs developed for accountants.

Both are good; both are aware of the order by which the tax system, such as the *Rentroom* scheme; both produced answers quite close to the figure *TaxCalc* and I judge to be right; both will keep track of share positions from year to year, calculate capital gains, and relieve you of the drudgery of typing lists of dividends and tax credits.

Microhelp will sell you a cheap version which will prepare the schedules to attach to your income tax return, but will not calculate the tax due. That could be a very good way to look at the program and decide whether you want to go further.

If your affairs are complicated and you dislike having the job done by a professional adviser, you should consider one of these programs. But the price does represent a considerable outlay, and, as with any tax program, you will have to buy an annual update.

The small companies which market them do not offer the sort of security you might have with a large software house - but then, there is not really much security anywhere in the computer world.

All the programs mentioned run on IBM and compatible computers. All the prices mentioned include VAT.

TaxCalc costs £19.99 to members of the Consumers' Association, £24.99 to everyone else. Tel: 0800-202-100.

Digit's Personal Tax Planner costs £29.99. Annual updates are £12.50. *Digit's International Black Horse House, Exmouth EX2 1JL. Tel: 0395-210773, Fax: 0395-265883.*

PC Tax Adviser costs £29.95. Updates are £9.95. HCS, 30 Dudley Rd, Ashford, Middlesex, TW15 2 LE. Tel: 0784-255024.

Tax Reckoner costs £39.95. The update for 1993-94 will cost £29.95 without a new manual, or £49.95 with one. *Vital Software* is at Dover House, Crowthorne, Tel: 0733-810330.

The *Microhelp* programs cost £23.50 for either the income tax or the portfolio module, without the computation facility. For upgrades and other prices, write to the company at Andrews House, College Street, Petersfield GU31 4AD.



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Reclaiming income tax

My wife and I have established a discretionary trust, with our grandchildren as the beneficiaries.

One of our sons works for an EU institution abroad and his children have visited Britain only on holidays.

When they get income from the trust, can they claim back the income tax already deducted from it, as their UK-resident cousins can do? If so, where should their father apply for such repayment?

It appears that your grandchildren are British citizens no matter where they live. Thus, they are entitled to their annual personal allowance for income tax.

It should be possible for them to claim back the tax deducted on payments from the trustees. In order to do this, the trustees should supply the children with a certificate showing tax deducted. This should be submitted with a letter requesting a refund to Claims Branch, St John's House, Merton Road, Bootle, Merseyside L69 9BP.

You will need to check the way in which the income distribution is taxed in the country where the children are resident.

Reply by Barry Stillerman of accountant Stoy Hayward.

Wrong advice by tax office

My tax office says the expiry of an unexercised traded option is not allowed to be counted as a capital loss. But

LTOM's *Book of Traded Options* implies clearly that, for tax purposes, a capital loss arises on the date of expiry of the option. Could you clarify this?

Your local tax office is talking nonsense. The rules for traded options changed more than 13 years ago, in section 84 of the Finance Act 1980. The present law, as re-enacted in section 144(4) of the Taxation of Chargeable Gains Act 1992, says: "The abandonment of... a traded option... shall constitute the disposal of an asset (namely of the option)."

For the benefit of other people who may believe what taxmen tell them, you should write to the District Inspector (marking both your letter and the envelope "For the attention of the District Inspector") asking him to draw section 144(4) of the TCGA to the attention of the officer who misinformed you.

On the expiry day, you had an allowable loss equal to the cost of the option indexed from the month of purchase to the expiry month. This is also true for London Stock Exchange traded options. Because of Budget changes, there will be no indexation relief for options expiring after November 29.

Bequest might be too big

My wife and I have no close relatives and are considering leaving our estates to a small Baptist chapel of which we are members. But I am concerned

Q&A

BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the accuracy of the answers given in these columns. All enquiries will be answered by post as soon as possible.

that the amount - roughly £275,000 - might be an embarrassment because of the chargeable gain of experience in handling sums of this size.

Would forming some sort of trust, to provide income, be the best way to proceed? Are there any obvious difficulties to such a plan?

We understand that you are proposing to write your will so that all assets pass to the surviving spouse, with the chapel receiving all the estate on his or her death. Under these circumstances, there should be no inheritance tax payable on the first death and, so long as the bequest is made to a registered charity, no IHT would be payable on the death of the survivor.

In your wills, you could leave the estate in a trust on the death of the surviving spouse. The trust could be a charitable one and would need to be registered with the Charity Commissioners, having as its aims the provision of income and capital, where necessary, to the chapel.

Selecting the trustees is crucial. Their duties include investing the capital and paying income to the chapel. Also, they can be empowered to advance capital to the chapel if authorised. Thus, it is important you are satisfied the trustees would act responsibly.

Reply by Barry Stillerman.

Peps: hijack or robbery?

Are managed personal equity plans a good deal? Statistics suggest Peps provide more from running schemes than investors are receiving in tax breaks.

Whitehall estimates the exchequer will lose only £150m in revenue from Peps this financial year - cash savings to investors from receiving company dividends tax-free. The savings are made up of basic-rate tax credits which City institutions reclaim on behalf of their Pep customers, plus the freedom from any further income tax enjoyed by those who are 40 per cent taxpayers.

The amount seems small when set against the £14bn now estimated to be invested in all Pep schemes, but it reflects two simple phenomena. The dividend yield on ordinary shares is very low at present: those in the FT-SE 100 are yielding only 3.8 per cent gross. And the tax credit reclaimable on company payments is now only 10 per cent.

Shares worth £14bn now generate around £332m in gross dividends, on which reclaimable tax credits amount to £135m. Take into account the extra tax savings to higher-rate taxpayers and the £150m estimate looks reasonable.

Around £7bn, half of the £14bn, is held by Pep investors directly in company shares although the cash has to be channelled via a Pep provider in a so-called "managed Pep".

rather than through unit and investment trust Pep schemes. So, it is reasonable to assume that £75m, or 50 per cent of the £150m tax saving, flows to direct Pep investors.

These select investors for themselves or allow the providers to do it for them. Either way, providers levy an annual management charge - typically, 1 or 1.25 per cent of portfolio value (which makes many such Peps worthless for basic-rate taxpayers now the tax credit has been cut). It is not hard to see that, on the £7bn held by these investors, providers reap a handsome harvest - revenues of £70m to £87.5m in annual fees alone.

The bounty hardly stops there. The Pep industry sometimes charges fees for opening Peps, closing them, making cash withdrawals... just about anything it can think of. According to some estimates, providers of direct Peps get £100m in annual revenues while the investors who pay these fees collect £75m in tax savings. Hijack or daylight robbery?

As for the other £7bn held via unit and investment trusts, many managers make great play of charging no extra to Pep investors. These in a unit trust pay the same, via annual management charges and the bid-offer spread, as a non-Pep investor. But if, as the providers always argue, Peps are costly to administer, then are their non-Pep customers subsidising their Pep clients?

Nick Gilbert

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FASHION

Wrap up your shopping list

A chic scarf makes a good gift, says Lucia van der Post

If you are still wandering around with a distraught air, wondering what to buy for your nearest and dearest this Christmas, the fashion must-haves for women this winter are squashy hats, an important shirt, and scarves, scarves, scarves. If in doubt, head for a chic emporium where the taste is impeccable and all you need to do is select the price bracket.

Londoners could pick up a crinkly silk scarf (or better still, three or four in assorted colours to be worn together, £39 a time), an Equipment silk or, more Christmassy, a velvet shirt or a Prada handbag at Joseph.

At Harvey Nichols you will find one of the best costume jewellery counters in town. If her tastes are more avant-garde it is not as well known as it should be that Liberty now has one of the best modern designer floors around (Issey Miyake, Koji Tatsumo, Sophie Malig, Vivien Westwood et al).

There is hardly a forward-thinking woman who would not give her eye-teeth for one of Issey's crinkly wraps or skirts, one of Koji's cob-webbed vests. If you can't run to those prices then Whistles and, amazingly enough, C&A and Warehouse, do very passable versions of crinkly

gear all their own.

Less expensive, but just as desirable, are the crocheted cardigans (£37) at Agnès B, at 111 Fulham Road, London SW3. (Mail order tel: 071-225-3477).

And, if you are still flummoxed, let me assure you that nobody ever had too many absolutely plain cashmere sweaters. Brura has round-necked, V-necked and polo-necked sweaters and cardigans for men and women for £39.50 a time in most classic colours. If you order today (tel: 071-731-7672) it will be despatched in time for Christmas if it has the colour in stock.



Left: The soft, floppy hat is one of this winter's hallmarks. Herald & Heart Hatters did so well with its folding, all-purpose summer Panama that it has produced a floppy winter "Hat-in-a-box" in velour felt. In black, red, navy or chocolate brown it comes with a stretch black velour band and a black braid hat pin. £30 from 131 St Philip Street, London SW8 3SS. Tel: 071-627-2414.

Right: Anya Hindmarch makes evening handbags and has developed a cult following. The little one featured here comes in black, red or a host of other colours. Made of grosgrain with a tassel handle it is £155 from Anya Hindmarch, 91 Walton Street, London SW3. She will also make to order.



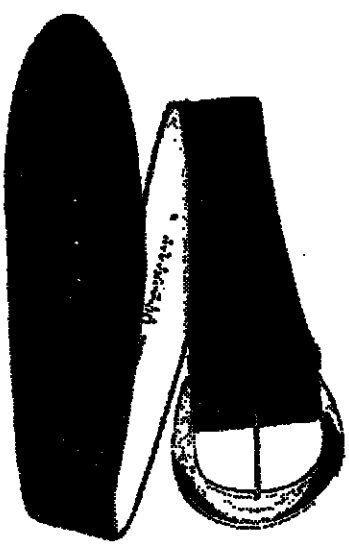
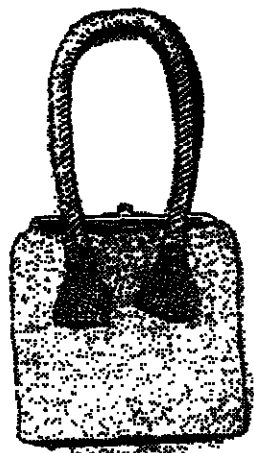
Left: An evening jacket in rich grosgrain could transform many a dull outfit besides keeping its wearer warm and comfortable. Sam Browns of 55 Fulham Road, London SW3 and 135 Wandsworth Bridge Road, London SW6 has them in two colour schemes - black and red (with either a red background with black swirls or vice versa) or black velvet teamed with black grosgrain. Sizes 10 to 14, they are £250 each. Matching skirts, £85.

Right: Black suede gloves lined in pure silk and lent an air of glamour by brilliant multi-coloured paste jewels. By Christian Lacroix, in sizes 7 and 7½, they are £175 from Browns of South Molton St, London W1Y 1DA.



Left: Oliver King, a former Junior World Snooker Championship finalist, is a connoisseur of waistcoats. As fashion writer Avril Groom points out: "It is an essential part not just of his working kit but of his image and it has to be absolutely right." King thought Tom Gilbey's blue and cream silk brocade version, with its long cut and slim fit has an almost 18th century elegance. £175 from The Waistcoat Gallery, New Burlington Place, London W1. Other good ones are Georgina von Etzdorf's shot velvets (£185) and Mulberry's subtle check brocade (£145).

Right: The kind of belt that every wardrobe needs - wear it with a body suit, with trousers, over a sweater or with a dress. In black suede by Donna Karan it has a gold vermeil dipped buckle and comes in two sizes, at £165, from Browns of South Molton Street, London W1Y 1DA.



Kate Doherty

is she, like most of the female population of Britain, under 5ft 6in tall? If so, she may well have difficulty in looking good in many of her favourite designer's clothes. Laura B, who sells her own brand of glamorous dressing to a host of sophisticated about town, has made a speciality of always having a supply of sophisticated clothing for those who are kindly called "petite" and less kindly just plain short.

She has her designs specially made in Paris on a petite last and uses many of the same fabrics as many a high-profile designer name. Her black wool orphee suit with the white lapels has been a winner this winter -

the perfect lunching outfit at £495 whilst her chic striped black and beige trousers (£295) are blissfully comfortable.

The black wool jacket (£375) ought, of course, to go with plenty of other things already lurking in the wardrobe. If a complete outfit is not what you had in mind there are stunning belts of leather with gold tarnished buckles at £95 - £95, soft angora wool sweaters (£95) with matching shawls and a wonderful white lace blouse with pleated sleeves and frilly jabot (£195). Laura B is at 25b Walton Street, London SW3 2HU.

Gardening / Robin Lane Fox

Festive planting - no need to panic

A few simple preparations mean you can enjoy your Christmas celebrations before braving the elements

The weather is wonderfully unpleasant but the Christmas holidays loom and, in my mind's eye, I see *Weekend FT* readers as planters, wading into the thick of it with a sodden newspaper and a pair of designer gumboots. The coming break gives us all a chance for replanting and improvements. But what do you do if you cannot face the elements on the morning after the plants arrive?

It depends where they come from. If you have bought them at a garden centre, you could well have paid over the odds but you will be under less pressure. The plants will be potted-up already and can wait for your convenience. They can wait quite a while; indeed, several people have been waiting for my convenience since June. They are none the worse for the interval but the one danger is a severe frost. If it works down into a pot, it might turn the plants into pulp when it starts to thaw. Last year, I lost several agapanthus, rotted by a thaw which I had not anticipated. A hard winter costs nurserymen as many plants from rotting as from freezing. If you foresee trouble, move any plants bought in pots into a shed or under cover.

If you have ordered roses, shrubs or trees from a nursery, you can expect delivery any time now after a slow start to lifting during the frosts in November. Among our bigger nurseries, my favourite remains Scotts of Merriott, Somerset, now in the third generation of family ownership.

Most of its business is by mail order and it is not alone in believing that this form of retailing is making a comeback, just after many small nurseries pronounced it impossibly expensive and gave it up. The reason is that the parcels of plants go nowhere near the well-meaning fumbles of the post office. The new express delivery firms now carry many of the nursery's mail orders of shrubs and trees, along with the various goods of other home shopping catalogues.

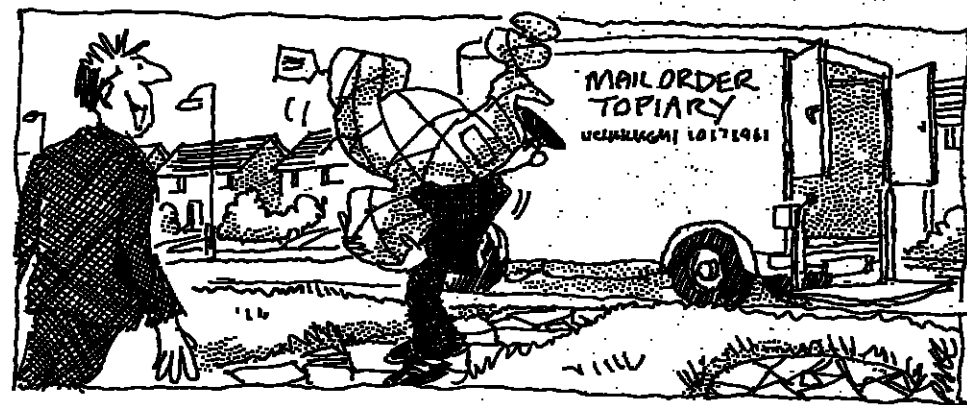
As a result, orders arrive within two days of despatch at a cost which is way below the price of the post office's friendly meander. It is no longer prohibitive to order trees, fruit and roses by mail from a catalogue. If mail order revives for the nursery trade, will we all want to pay an extra 30 per cent or more to buy similar plants at our local garden centres?

One view is that garden centres will narrow down and become plant centres: the big DIY stores will sell garden extras more cheaply and will offer a simplified range of clean, attractive plants to impulse buyers. Keen gardeners will revert to specialist nurseries, using their *Plant Finders* to put them in touch with the new potential of mail order, delivered outside the national postal network.

If they do, they will be glad for advice on planting from Scotts. For instance, what do you do with a straw-wrapped parcel if it arrives when you are up to your ears in work and parties? The answer is refreshingly simple: leave it alone for a few days until you are ready for it.

If you are only half-ready, you can loosen the string and allow air to circulate while burying its lower length in the ground. If the ground has frozen already, keep the package in a cool, dry place. The one fatal mistake is to bring it indoors or buy a heater so as to keep it warm.

In short, a sudden pre-Christmas delivery is no cause for panic. If you have ordered fruit trees or roses, they will probably arrive with bare roots. When you unpack them eventually, soak the roots in a



bucket of water before planting them or covering them over in a temporary trench outdoors. They can wait until mid-March, but I have reverted to the older view that roses, at least, are best transplanted before the new year.

When you plant them, harden your heart and do what most amateurs tend to avoid: prune the new arrivals, removing at least half of the upper

stems of the old-fashioned varieties, and reducing climbers and ramblers to no more than 2 ft. This pruning sounds extreme, but it is the way to avoid weak roots later.

As for those plants that arrive in pots or fresh out of them, the growers at Scotts have a useful tip. The roots may well have started to run round in a circle and chase their tails in a tennis ball of

peat compost. Unpot them and run a sharp knife down one side of the root ball in order to scuff it and encourage new roots to face outwards, not inwards, into the circular tangle.

If you cut one side of a new plant in this way, the experts believe it is more willing to develop roots away from its peat compost and into the surrounding soil of a new home.

For similar reasons, there is now a definitive answer to the old question of whether the roots of a tree are better when planted in a circle, not a rectangle.

The answer is a rectangle: a round hole encourages roots to run round it and not to leave the central ball of soil in which they have become pot-bound or previously tangled. In a rectangle, the roots are encouraged to run outwards and join their new home, instead of becoming introverted.

If mail order is going to make a comeback, these little matters of treatment will need to be remembered.

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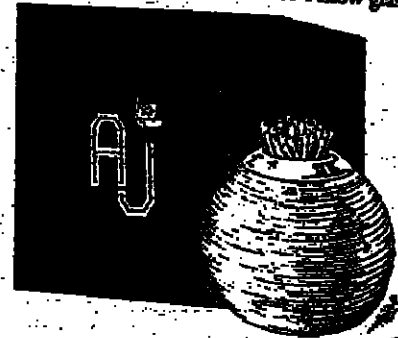
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دعونا من الاصل

FASHION



Clockwise from left: navy taffeta dress, sizes 3-6, £28.99 from Debenhams. Shoes, £24.99 from Russell and Bromley.
Navy wool blazer, £155, matching trousers, £87.50, cotton shirt, £35, silk tie, £18.50, all sizes 4-14 from Burberry, Haymarket, SW1, Regent Street, W1, Glasgow and Edinburgh.
Printed polyester/cotton waistcoat, £37.50, black wool/polyester trousers, £47.50, both by Fairbanks from Harrods, Knightsbridge. Blue chambray shirt, £29.99 from BHS.
Black viscose velours dress with lace collar, sizes 5-12, from £23.99 from Children's World branches.
Green tartan taffeta dress by David

Charles, sizes 4-10, £139 from Harrods.
Deep green and maroon acrylic sweater, £10.99, blue chambray embroidered shirt, £10.99, maroon cord trousers, £29.99, all sizes 1½-5 from Children's World. Shoes £28.99 from Russell and Bromley.
Navy and green silk taffeta smocked dress by Daks, sizes 4-8, £189 from Simpson, Piccadilly, W1. Shoes, £24.99 from Russell and Bromley.
Red cotton velvet dress, sizes 2-7, £45.95 from Laura Ashley. Shoes, £49.50 from Buckle My Shoe, 071-935-5589 for stockists.
Hairdressing: Kaz Simler

BELOW: (from top) Denim shirt, £9.99, wool trousers with braces, £28.99, sizes 1½-5 from Boots.
Beaded cotton handknit cardigan, sizes 2-10, £135 from Artwork, St. Christopher's Place, W1 and Thomas Neal Centre, WC2.
Black velours leggings, £15.99 from Marks and Spencer. Hat, £9.99 from Boots. Beads, £7.50 from Harrods. Loafers by Start-Rite, £43.50 from Russell and Bromley.
Red cotton/polyester dungarees, £39.99, matching bag, £14.99, cotton/acrylic polo-neck, £9.99, by Baby Boo (071-371-5467) for orders. Red boots, £38 from Buckle My Shoe.



From left: Red Virella pinafore dress, £29.99, white embroidered blouse, £19.99, both from Trotters, Kings Road, SW3 and Kensington High Street, W8.
Red crushed velvet waistcoat, sizes 4-10, £22.99 from Rolfe Designs, 071-706-7805 for orders. Green check cotton shirt, sizes 6-7, £37, deep green wool shorts, sizes 2-8, £44, green wool socks, £10, all from Young England, Elizabeth Street, SW1. Loafers, £34.99 from Trotters.
Dark green and red Virella pinafore dress with pique applique, £29.99, white blouse, £18.99, both from Trotters.
Christmas tree, decorations and toys from BHS.

Catwalk style for kids

Avril Groom searches the clothes racks for fashion gifts for youngsters

The gap between what children want to wear and how their elders would like them to dress is bigger than you think. Searching recently for some civilised clothing to tempt an 11-year-old, whose idea of chic is an outsize man's T-shirt and black jeans artistically holed at the knee, I suggested the casual but classic combination of a denim shirt and chinos. "Yuki" came the outraged reply, with a look of deeply affronted dignity. "That's what dad wears."

Now, in the interests of family unity, what you do not need on Christmas morning is a reaction like that from your little darling when he/she opens a parcel from grannie or great-aunt, especially if said elderly relative is there beaming fondly.

So, if grannie likes to indulge your children with clothes, a little prior consultation is a good idea. The world's most wonderful smocked silk dress is a disaster if it is banished to the back of the wardrobe by a disdainful child.

Babies are easy to cater for. The only person likely to complain at the gift of a white satin, hand-embroidered romper suit is the mother, as she visualises it splattered with pureed apple. The traditional source of such delights is The White House, but another name to look for is Heather Brown whose hand-embroidered and smocked, washable styles are available at Fortnum and Mason, Polyantha of Fulham Road and New Arrivals of Banchory.

Little girls are normally delighted with any full-skirted party frock but where you would prefer it in sober navy taffeta or dark tartan they like sugar-almond pink. This objection is easily overcome, however, with a stiff net under petticoat and a skirt full enough to "twirl". A tiny matching bag and hair band are other inducements - Young England, Trotters and Bambino have dresses with matching sets. The smocked silk dress is still a winner and Daks' new children's range includes a white-collared style in dark or neutral checks that is beautifully made and not over-glitzy.

Small boys look sweet in cords, smart shorts and Fair Isle jumpers but over four they find velvet knickerbockers, Peter Pan collars and bow-ties pretty hard to take. Any grannie coming up with the Little Lord Fauntleroy look probably deserves rebellion. But traditional style is reasserting itself in the market and pragmatic parents, who do not wish a small fortune to be spent on something that will be shortly outgrown, could suggest Debenhams, Marks and Spencer, BHS and Children's World as sources of tasteful,

good-looking childrenswear with unguessable price tags. Laura Ashley, who regard traditional style as their forte, also have a particularly good Christmas range.

Older children are more tricky. The strictures of school uniform create a healthy disregard for formality on high days and holidays. Boys seem to reject anything other than denim, though a navy blazer is

one classic acceptable to most, anything from Burberry's sharply-cut version to Marks and Spencers' soft moulton style, about £50.

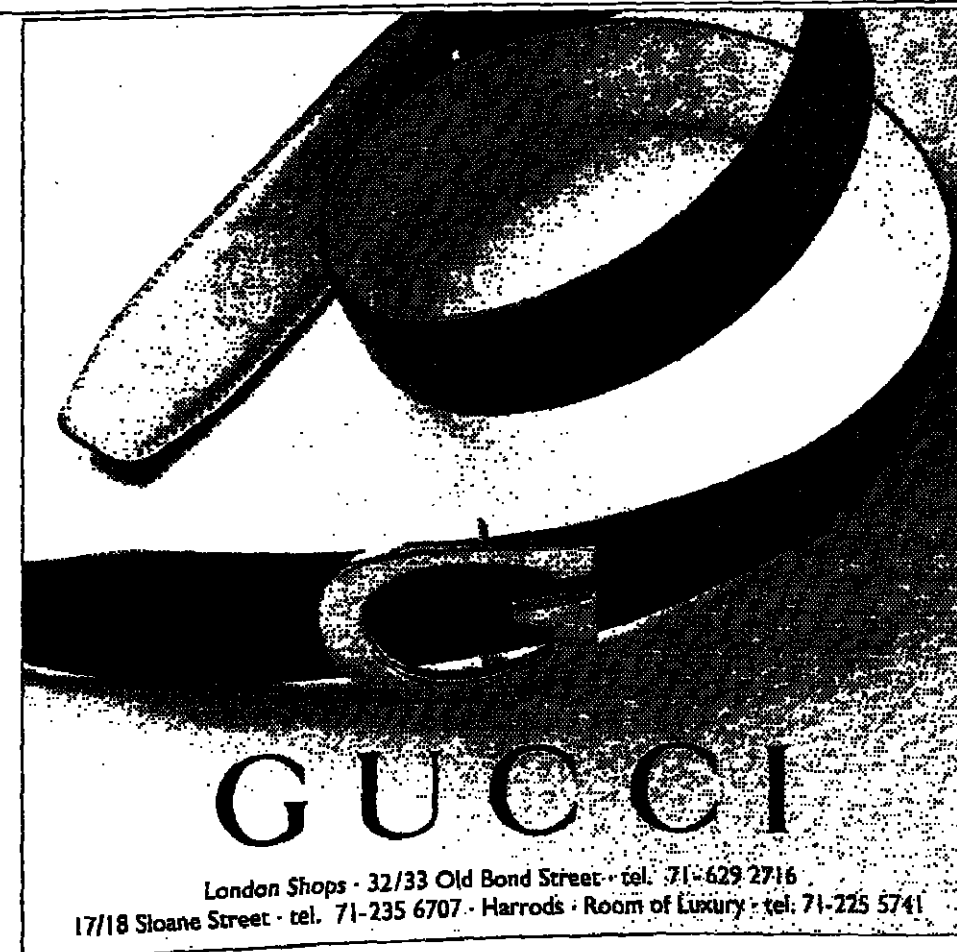
A fun alternative is a waistcoat - plain, velvet or damask. These also find favour with girls, who respond surprisingly early to adult trends. A waistcoat over a long white shirt, big, bright knits with leggings, and velvet (especially

black) are ideas that have gone straight from the catwalk to the under-tens. Velvet is your best weapon in persuading an older girl to wear a traditional party frock - she will think it immensely sophisticated.

Harrods has crushed velvet waistcoats, long fluted skirts and organza shirts among their more traditional offerings. At chainstore level, BHS has fetching velvet or cotton

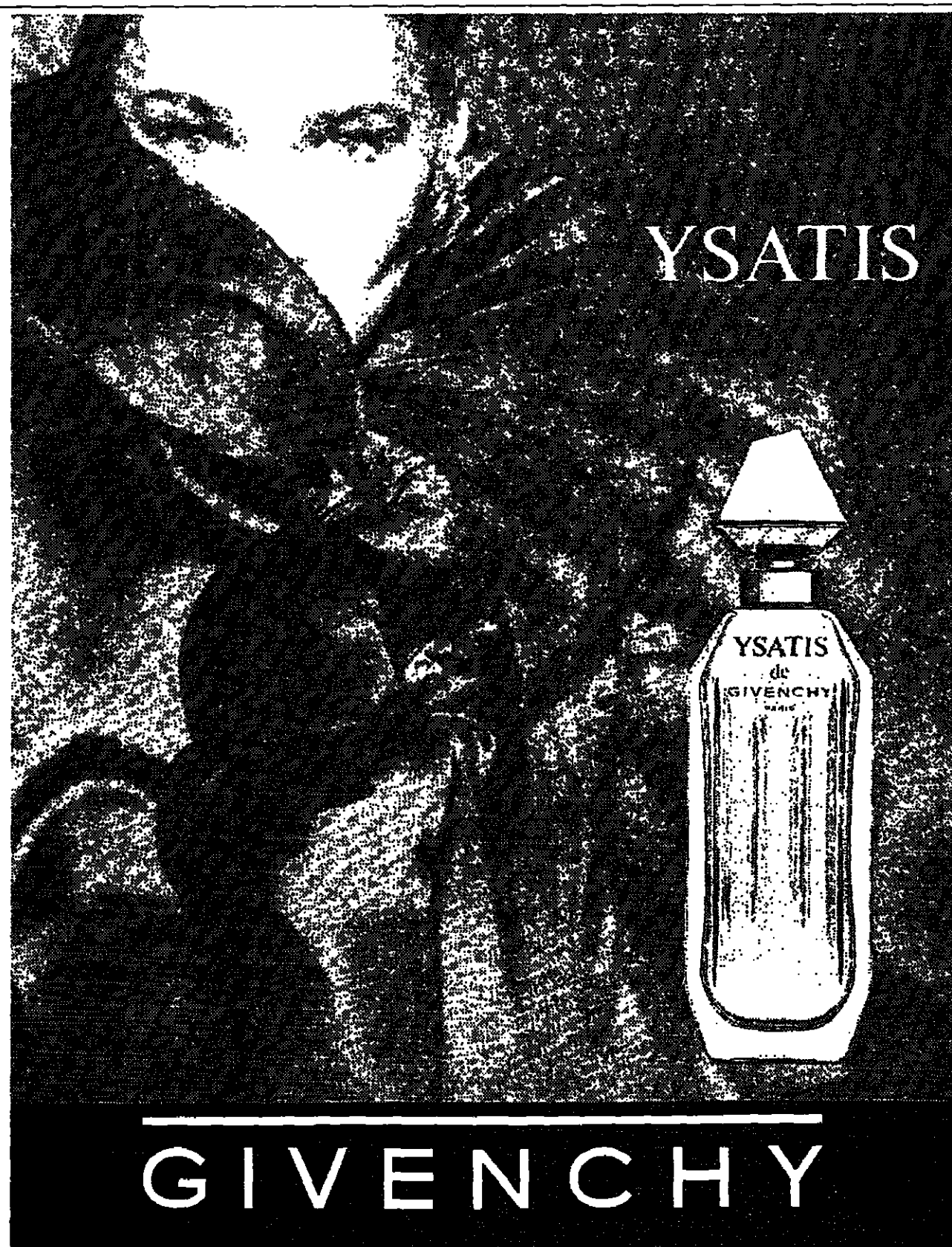
embroidered or beaded waistcoats and long, silk skirts. Debenhams can supply boys with dark, washed-silk shirts.

The best small present for a girl this year is, without doubt, a squashy velvet hat. This will be accepted with gratitude and worn everywhere. And that is the greatest compliment a grandparent could possibly receive.

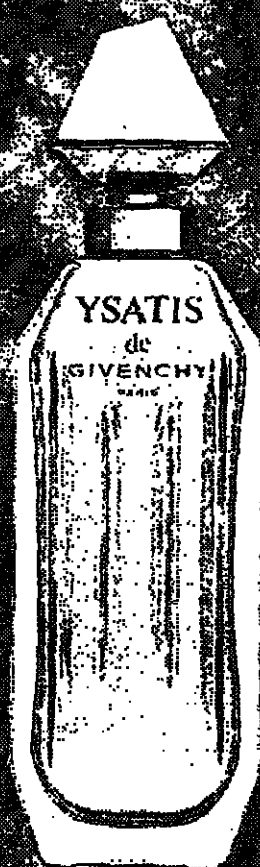


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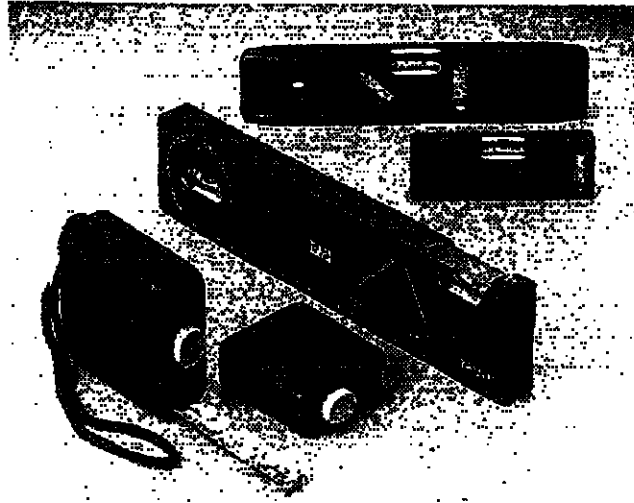
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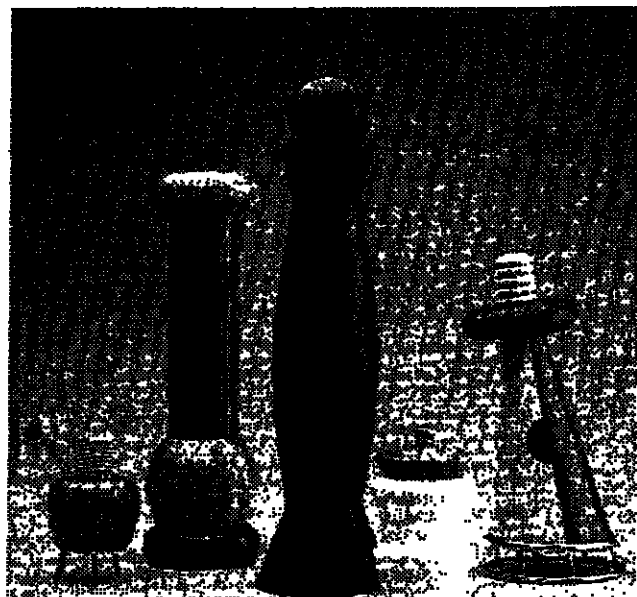
HOW TO SPEND IT

Alternatives to after-shave



Set of finely made German tools - ideal for the graphics set, for architects, for the do-it-yourself brigade. Made in West Germany by BIM there is a steel measuring tape (varying sizes, prices range from

£14.85 to £27.85) and a range of spirit levels, the mini version starts at £5.25, one with an inbuilt magnet is £10.15 and the biggest £15.05. All from Oggetti, 133 Fulham Road, London SW3.



Pepper-mills can be more than just kitchen utensils - these are works of art. From left: three-legged brier pepper mill designed by Adalberto Piroli, £25.90; red, black and yellow aniline coloured beechwood pepper mill by Ettore Sottsass, £28.35; black lacquered beechwood by Bettista Piazza, £35.95; orange and ivory lacquered ash by Massimo Iosa-Ghini, £39.30. All from Oggetti, 133, Fulham Road, London SW3 6RT.

Tired of buying cardies, socks and after-shave for the men on your Christmas shopping list. Occasionally, inspiration strikes - a precision lens for his camera, the artefact that is perfect - but more often many of us are floundering. For those who are still looking, here are a few suggestions.



Fornasetti, the Fifties Italian designer is enjoying a new vogue. Themes & Variations of 231, Westbourne Grove

has a vast selection of his designs, ranging through furniture, magazine racks, trays and plates such as the

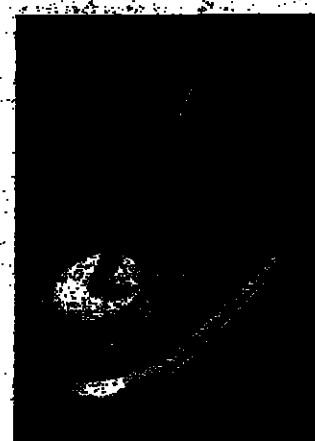
one photographed here which is one in the series called Themes & Variations and sells for £55.



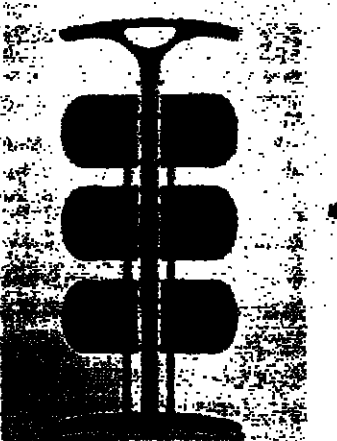
Tweed slippers by Hargreaves, exemplifying the coming trend in footwear - unmatched pairs. In all sizes, £25.00 from Authentica, 45, Shelton Street, London WC2.



Fornasetti's collection marks a change from the plain gold variety. £30 a pair from a range at Post South, 45, Floral Street, London WC2.



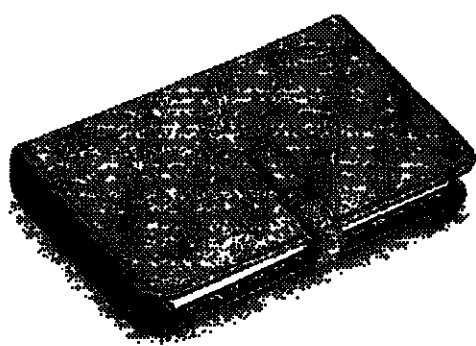
This stand, ballpoint pen and letter-opener in silver-plated. Designed by Fornasetti, £22.95.



Folding slippers, £120, from Aram Design, 65 Fleet Street, London NW3 6UG.

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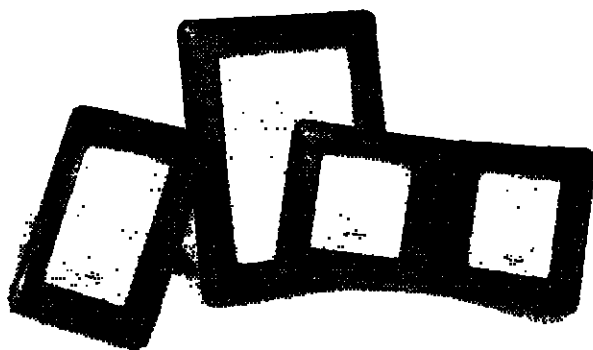
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Midtown Cabin Bag, No. 502
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Women's Suede Cashmere-Lined Gloves,
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هكذا من الامل

HOW TO SPEND IT

Fake is fine for that Christmas sparkle

From old gold to modern costume jewellery, there are plenty of pretty baubles to put under your tree, says Lucia van der Post

I have not met a woman yet who has complained of having too much jewellery. Not enough, perhaps, or even too much that is too cheap, but too much per se? Never.

If in doubt when seeking to please your nearest and dearest, just think small. Think of an intimate little present, exquisitely wrapped, that comes charged with meaning, that speaks of love and caring, of forethought and generosity. These may be the days of equal opportunity, when so many women buy their own jewellery. Even so there is nothing finer than a piece bought by *He Who Cares*.

There are those, diminishing in number, for whom the only jewellery that matters is real. Apart from the grand *jewellers*, the Bouchers and Cartiers, the Garrards and Chaumets and Bulgaries, there is now a group of jewellery designers which has realised there is a market for those who want their jewels real but up-to-date. The grand soirées of yesterday have been replaced by a raft of business meetings. The need for a sculptured brooch or carefully-chosen necklace which can see today's working woman through from the school-run in the morning to the dinner party has grown. Jewellers such as Kiki McDonough are sought after because they have intrinsic value, a reasonable price and are wearable in a modern context. Although they are far from rock-bottom, they are infinitely more affordable than those at the traditional *haut joelliers*.

Kiki has a host of fashionable customers who like her jewellery because it is real but does not shout. As Juliet Hambro, one of her devoted fans, says: "I wear Kiki's necklaces and earrings all the time because it adds a finishing touch to an outfit and yet it never clamours for too much attention. In my job (financial investment consultant) I often have to travel all day and attend luncheons, meetings and dinners. I can wear Kiki's ebony and gold earrings or her haematite necklace from morning until night."

At Kiki McDonough there are lots of gifts at under £1,000 - 18-carat gold and malachite earrings, for instance, bold and stylish at £485, simpler nine-carat gold earrings for £285.

Boodle & Dunthorne is an old-established jeweller from Liverpool which this year opened a grand new store in Regent Street. There are antique pieces but also lots of choice for those who need a brooch to enliven a working suit, some earrings to add a little glamour to an all-purpose coat. Choose from bold earrings in gold (£455) or a mixture of silver and gold (£300) or some of Leo de Vroomen's strong enamelled pieces



Chloe Annett, who stars in *Jewels*, this week's infinitely forgettable mini-TV series, is young and pretty. And since the plot required her to wear lots of baubles she has become interested in jewellery.

Flor, the Knightsbridge and Bond Street jewellers which specialises in making finely-crafted costume pieces that look like the real thing, and Buccellati, the Italian jewellers, have between them supplied all the jewels for the series.

To Chloe Annett it was a revelation seeing just how well-made some modern costume jewellery can be. "I thought the jewellery was wonderful. Until then I had mostly worn pieces given to me by my grandmother - I might attach them to lengths of velvet and wear them as a choker. I have a large mother-of-pearl cross which I would wear, with my Kerzo dress with the shorts underneath. I also have a lovely gold and platinum ring with two tiny diamonds given to me by my boyfriend."

She is photographed here wearing what she intends to wear on Christmas Day - a black Lycra-velvet mini-dress (£225) by Michele Holden of 42 Beauchamp Place, Knightsbridge, London SW1. Michele Holden is a dressmaker who (unusually) combines a made-to-measure business with ready-to-wear. With the dress she is wearing a set of neckties (£235.50), bracelet (£185) and ear-rings (£39.95) worn during filming. All are rhodium plated, hand set with diamonds and synthetic rubies and all come from Flor, 27 Brompton Road, Knightsbridge, London SW3 or 31, New Bond Street, Mayfair, London W1.

(£3,450). More strong pieces are to be found at Tiffany (and, of course, there is something deliciously enticing about those turquoise blue little boxes). Avoid, unless you come into that category of never having to inquire about the cost, the ones in the brochure which are

Photographs by Tim Jenkins. Make-up by Michael Beagrie.

marked "prices upon request". Turn instead to more affordable items - such as Tiffany's own signature collection, Paloma Picasso's pink tourmaline earrings (£1,575) and Elsa Peretti's sculpture sterling silver pieces which start at £50. There is also a delicate gold chain with a floating diamond which at £315 would make a lovely present for a favourite

god-daughter.

Those for whom these prices would cause Micawberish unhappiness should not be downhearted. Fake these days is fine. In the real world even those women who have beautiful inherited pieces often mix them with fake. Countess Alexander of Tunis, for instance, is a great fan of the reproduction jewellery of Flor. "I work as a special events organiser and when I did this for Chaumet I used to have access to their splendid real jewels. Now that they have closed down their London operation I miss it. I often mix pieces from Flor or Butler & Wilson with real pieces. Buying costume jewellery enables one to have much more variety - for instance: I have long 'pearls', short 'pearls', 'pearl' chokers," she says.

Besides Flor and Butler & Wilson, many an aristocratic lady who lunches is actually gliding away in inexpensive costume jewellery sold by each other to each other. Becky Blandford, for instance, mother to the future Duke of Marlborough, sells the Caura range of jewellery designed by Eric van Peterson to her well-connected friends.

From the Caura catalogue bold gold earrings (base metal dipped in 22-carat gold) sell for £19.15 a pair, a necklace of "gold" baubles for £80, three rows of "pearls" for £38 and some fashionably classical "gold" and "amethyst" earrings for £19.15. There is much more in similar vein.

I have seen Agatha's earrings adorning some very aristocratic lobes indeed. It is a very clever costume jewellery



Shebah Ronay is a 22-year-old actress and daughter of Edina Ronay, the designer, who will shortly be appearing on TV in a new series of *House of Eliott* and *Love Hurts*.

When it comes to jewellery she likes it simple.

"Often I make my own - I buy beads from a shop called Hobby Horse and make necklaces and bracelets. There are two rings that I always wear - a heavy gold wedding band which was a present from my grandmother and a ruby ring that I bought for myself. Many of the pieces I own have been given me as Christmas presents but I am lucky in that my mother has the most amazing collection of costume jewellery which she has collected from places like Merola and antique shops and so I often borrow from her when I'm going out."

For Christmas Eve she will be wearing a maroon velvet jacket designed by her mother (£425 from Edina Ronay, 171 King's Road, Chelsea, London SW3).

"I love its long cuffs and lapels," says Shebah. "It is subtle, yet glamorous in a classic way. There are trousers to match (£225) but I'm actually going to wear them with some viscose trousers also designed by my mother."

She is photographed here wearing it with the sort of jewellery she likes: "very simple and yet complementing the clothes".

The gift and pearl earrings are £75, the bracelet is £85, both are from Celine, 61 Sloane Street, Knightsbridge, London SW3 and 28 New Bond Street, London W1.



Fake 'pearls' worn on the ears (£10), neck (£54) and wrist (£30 each). From Agatha, 4, South Molton St, London W1.

enterprise brought over from Paris. It has all the fashionable icons of the day - the "pearl" cross (£19), the plain bold "gold" earrings (£17), the big, bold ring with classical overtones (£19), the "amber" heart-shaped pendant (£12) and the "ebony" cross (£10). So take heart: it really is the thought

that counts.

■ Kiki McDonough is at 77c Walton St, London SW3 2HT. Telephone: 071-581-1777.

■ Boodle & Dunthorne, Boodle House, Lord St, Liverpool, 1 King St, Manchester, 128-130 Regent St and 58 Brompton Rd, Knightsbridge, London.

■ Tiffany & Co., 35 Old Bond St, London W1K 3AA. Telephone: 071-409-2790.

■ Caura, 45 Stockwell Park Road, London SW9 0DD. For a catalogue or the jewellery itself tel: 071-374-6375. Ask for Sallie Butler.

■ Agatha, 4 South Molton St, London W1. Telephone: 071-485-2778.

■ Garrard, 112 Regent St, London W1.



Sally Burton, widow of Richard, loves jewellery but her tastes have changed. "I always think about big jewellery that you need a man to buy it for you and a man to undo it at the end of the day. Obviously there was a time in my life when I used to wear the big stuff which was bought by Richard and which now sits in a vault in the bank. Now that my life has changed I still like real jewellery but I go for quieter, more subdued ranges."

"I also like costume jewellery such as Chanel's great big earrings and I collect pieces from Merola in Walton Street - all the beautiful 20s stuff. I have dress-clips

in diamanté and dangly Bakelite earrings - most of the materials are intrinsically inexpensive but it is the design that appeals."

"I have been collecting pieces from Garrard's One One Two collection for some time. Almost every day I wear bangles from the range and on Christmas day I will almost certainly be wearing them together with these wonderful big looped ear-rings and the necklace. As I shall be spending the day with four-year-old twin nephews who are hugely excitable I shan't be wearing anything grand."

The One One Two collection has gold rings from £370, bangles from about £1,000.

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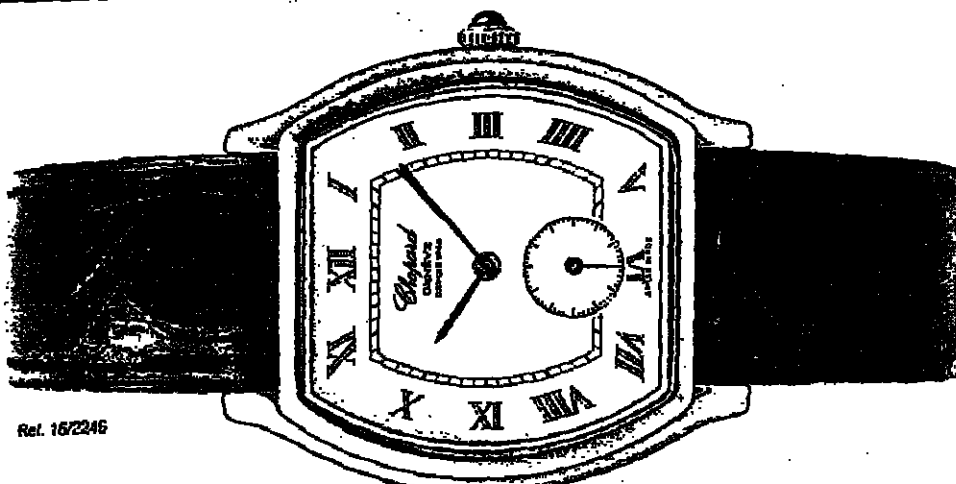
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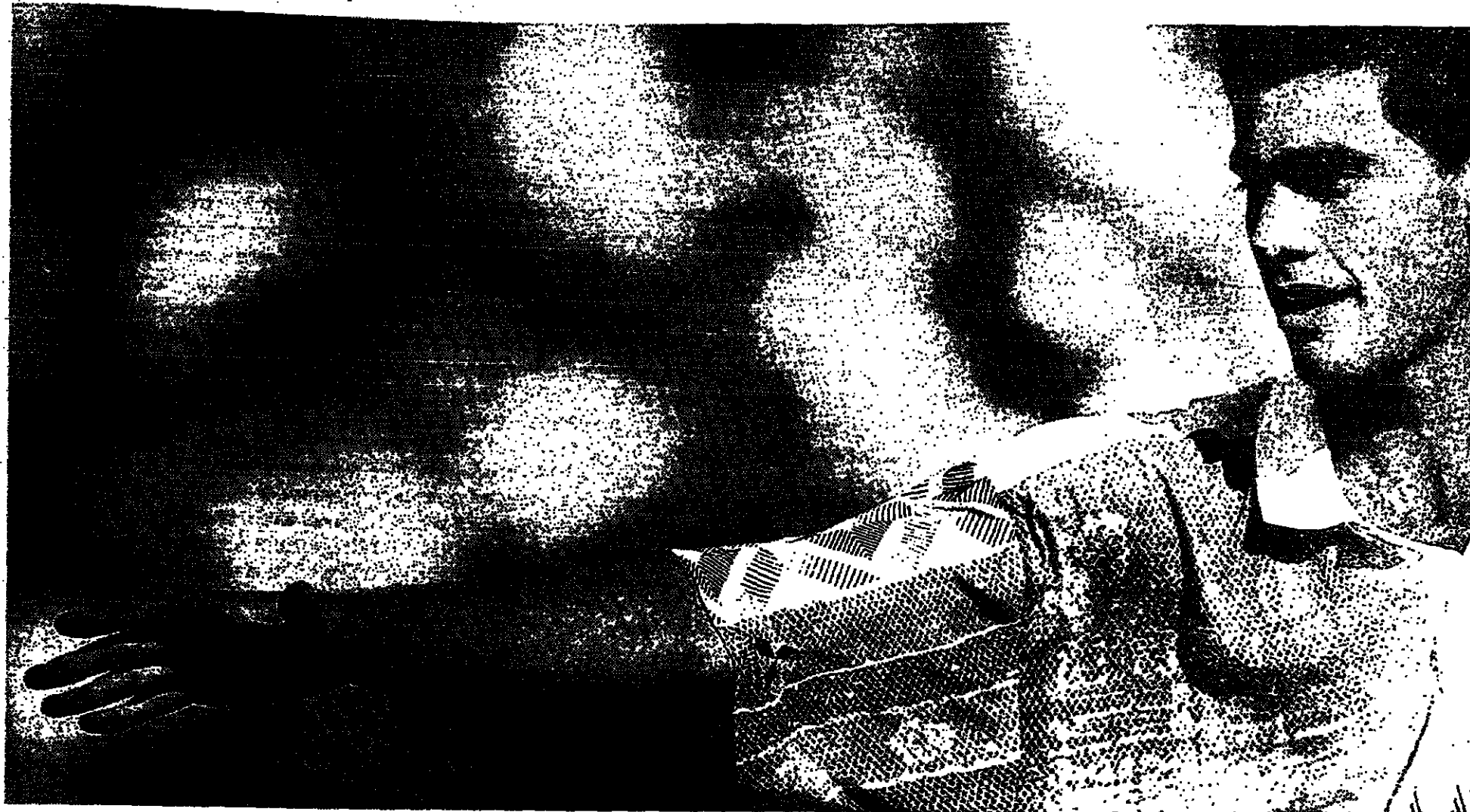
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SPORT / MOTORING



Reaching for the top: Pete Sampras has the world's No 1 ranking firmly in his grasp

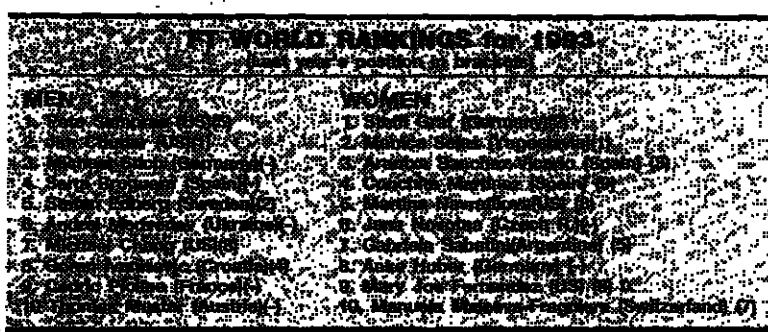
Tennis/John Barrett

The rise of a young champion

It is time once again to produce the annual FT World Rankings, necessary because the men's and women's computer rankings are unfairly weighted. The ATP Tour system counts only a player's best 14 results (bad losses can be ignored) and does not offer the four Grand Slam Championships their full value. The WTA system protects the higher ranked players who do not drop quickly enough after poor performances.

No-one would question that the 22-year-old American Pete Sampras and Germany's Steffi Graf, now 34, have been the outstanding players of the year. These two fine athletes head my lists in which there are five men who were not in last year's list and two newcomers among the women.

With two of the four Grand Slam titles (Wimbledon, US Open) among his eight tournament victories, Sampras has enjoyed the best season of his young life. He has won 85 of the 101 matches he has played and pocketed \$4.5m to lift his career earnings to \$11.5m. It now seems likely that Sampras will fulfil the potential he had shown in 1991 when, at 19, he became the youngest US Open winner. Only in this year's two climactic events - the IBM ATP Tour finals in Frankfurt and the Compaq Grand Slam Cup in Munich - has Sampras looked vulnerable. First, Michael



Stich, with brilliant serving, and then Petr Korda, with superb returning of the serve, halved his advance.

In the absence since April of the reigning world champion Monica Seles, following the knife attack by Gunter Parche in Hamburg, Graf has dominated the women's year with 10 tournament wins. The only real challenge to her supremacy on the important occasions came from Jana Novotna who should have won their Wimbledon final after leading by a set and 4-1. However, she did not, and Graf added a fifth Wimbledon title to the third French crown she had just acquired and then went on to win the US Open for the third time. For good measure Steffi also claimed the Virginia Slims Championship, her 79th career title, to end the year with 76 wins and six losses, all of which

earned her prize money of \$2.6m, a record for women.

The men's year was notable for the return to form of the 1991 Wimbledon champion Stich who re-enters the list after a year's gap. Stich finished the season strongly winning the ATP Tour championship, leading Germany to victory in the Davis Cup and reaching the final of the Grand Slam Cup.

But Stich does not displace Jim Courier from the No 2 spot (which he did on the ATP computer) because of his failures on the four most important occasions of the year. In Melbourne he lost to Courier, who went on to win the title; in Paris he lost badly to Goran Prpic in the fourth round while Courier lost narrowly in the final; at Wimbledon, where Courier was also a finalist, Stich lost a dramatic quarter-final against Becker;

in New York, Stich was beaten in the first round by Henrik Holm while Courier lost in the fourth round to Cedric Pioline, his only bad loss. It was chiefly that performance which earned the stylish Frenchman ninth place in my list. Pioline had a marvellously consistent year with three other appearances in finals.

Sergi Bruguera's feat in winning his first major title in Paris was considerable. The Spaniard also reached eight other finals, winning four of them.

After a mediocre year by his standards, Stefan Edberg drops to No 5. His best performances were to reach the final of the Australian Open and the Wimbledon semi-final where Courier beat him both times. Only one tournament fell to this great attacking player in 1993: ironically, the clay court event in Madrid.

Andrei Medvedev, only just 19, made a great impact with three wins from five finals plus an appearance in the French Open semi-final. Michael Chang, with five tournament wins, had his best year since winning the French Open as a 17-year-old in 1989. Goran Ivanisevic could not reach a Grand Slam final as he had done at Wimbledon in 1992 and slips four places while the Austrian, Thomas Muster, comes in as the winner of six titles - all on clay.

At first sight it may seem curious to have ranked Seles at all. However, the

world champion did win the year's first great title in Australia with a fine win over Graf. It was one of the season's best matches. Furthermore, she did win another tournament before being forced out of the game with an extended bout of flu. Hamburg was her comeback event. I have no doubt about the quality of her tennis at the time of the attack and her achievements must be recognised.

No-one else in the women's game achieved anything notable. True, Sanchez-Vicario, in winning four tournaments, did play more matches than anyone else (91), and she won more too (77) but she did lose 14 times. Her fellow Spaniard, Martinez, won five tournaments and did well to reach her first Wimbledon semi-final. Although Mary Joe Fernandez was equally impressive in winning the year's most exciting encounter, a comeback against Sabatini in Paris, she was disappointing elsewhere with only one tournament to her name.

It is a pleasure to see Anke Huber at last emerging from Graf's shadow and sad to say farewell to Manuela Maleeva-Fragniere who retires officially after next month's Australian Open. The eldest of the three Bulgarian sisters, Manuela went out on a high note with a victory over Navratilova in the final of the European Indoor Championships in October, her 18th career title.

Rugby Union

Put through the ringer

One of the sights of the recent All Blacks' tour of Britain was the mighty winger, Vait'aiga Tuigamala, a terrifying man, who felicitously combines the destructive potential of a medieval battering ram with intelligence and finesse of the highest order. Even in the All Blacks' sole defeat, by England at Twickenham, there was one moment to savour.

The victim was the younger Underwood. As he took a high kick outside the England 22, he was picked up by Tuigamala, in the manner of a splintered tree trunk being shifted by a JCB. He finally hit the turf 15 yards back, and tottered away, ruefully massaging his flanks.

Had the International Rugby Board's regulations on national qualification been other than a standing joke, Underwood would not have had to suffer so. For Tuigamala is hardly more of a New Zealander than I am a Frenchman. He is a Samoan. He is not alone. The ranks of the two great southern hemisphere sides are bursting with South Sea islanders. Apart from Tuigamala, the All Blacks have Frank Bunce, Steve Bopach and Eroni Clarke from Samoa. Australia have the indestructible Tongan, Willie Oribengue, and the Fijian flanker, Ili Tabua.

The Europeans are not above such shenanigans. Remember the hoots when former Aussie Brian Smith pulled on the green shirt of Ireland - which turned to howls when he left his adopted country in the lurch just before the World Cup. By name, Damien Cronin may sound like a resident of Tannochbrae. But by any meaningful criteria, he is English, as are his fellow Scots, Andy Reed and Neil Edwards.

Nigel Redman, Jonathan Calcutt, Stuart Barnes and Simon Halliday of England are all Welsh born. Tony Copsey of Wales is an Essex man with a "Made in England" tattoo. Whatever the contortions over birthplace, citizenship and grandparental domicile, these men are - to employ a colloquialism - ringers. And as the longtime organiser of a rugby team which was ever oppressed by the need to find 15 players, I am all for them. Gather thy bodies wherever thou mayest is my motto - with one proviso, which I shall come to later.

Of course, there is a limit to the influence a ringer can wield. If the team is useless, he will not be able to transform it into something else. One Sunday, many years ago, the

Welsh and British Lions winger, Clive Rees, was strolling around the pitch on which we were about to play formidable opposition. As usual, we were deficient in numbers, and the obliging Rees was talked into helping out. I suspect he regretted it. We lost 54-0, and not once were we broken-winded, clapped-out forwards able to secure the ball for him to use of his greyhound pace.

I prefer to recall another occasion. We had progressed from the Rees era, and were a reasonable side. But our opponents were better, and knew it. We longed to puncture their air of superiority.

We had a Kiwi playing for us that season. He was called Rex Smith, and he had played for Otago and was well-connected. We told him how keen we were to beat this outfit for the first

time, and he said he would speak to some mates. On the evening in question he produced his two recruits. One introduced himself as Earle - one British, the former All Blacks number eight (and currently the assistant coach). The other was called Sapsford. He was a prop, 18st plus, and could run faster than anyone in our back division.

It was he who did the damage. He took the ball, and thundered at them like a buffalo with a mission. Their defence was demolished like Tannochbrae. But by any meaningful criteria, he is English, as are his fellow Scots, Andy Reed and Neil Edwards.

The atmosphere in the bar afterwards was charged. They were subdued, we were riotous. There were recriminations, which became increasingly bitter when Kirtson was identified. Our sportsmanship was questioned, the future of the fixture put in doubt. But the crosser they became, the more we smirked. They had never thought much of us, but the worm had turned, and we had - to put it crudely - stitched them up.

And that brings me to the condition I mentioned earlier. Yes, I believe the game is richer for ringers, and it has been a privilege to see Tuigamala in his pomp. But life is undoubtedly more comfortable if you make sure that they are on your side.

Motoring/Stuart Marshall

Diesels hit the heights

The year of the diesel car breakthrough: that is how 1993 will go down in the annals of British motoring. Sales rose so fast - to their present 26 per cent of registrations - that industry forecasts at the beginning of the year were overtaken by events.

A year ago, it was agreed generally that 200,000 diesel cars would be sold in Britain in 1993. I had a gut feeling this was a considerable underestimate, but nearer the mark. Even this was not optimistic enough. An educated guess puts year-end UK sales of diesels at more than 300,000 in a total market expected to be just under 1.5m.

Two years ago, when only one new British-registered car in 10 was a diesel, anyone suggesting that kind of figure for

1993 would have been told he was hallucinating. Now, it is hardly fanciful to suggest that next year's total could be nearer to 400,000, with one new car in three (against this year's fewer than one in four) having a diesel engine.

There is no simple explanation for why it has happened. It is not as though diesel fuel suddenly has become a lot cheaper than unleaded petrol, as it is in France where close to half the new cars sold are diesels. Probably, it is down to a combination of factors.

The economic and environmental benefits of diesel cars are now appreciated widely. They have become as pleasant as their petrol equivalents to drive, while the price differential between a diesel car and a petrol car with fuel injection and catalytic converter has

narrowed, even disappeared.

The cost of filling a car's tank has increased, and will continue to go up faster than the rate of inflation for the foreseeable future. So, for company car fleet managers, if not yet for all who drive them, fuel consumption has become a matter of practical rather than academic importance.

For years, the French PSA Group (Peugeot-Citroën) has made most of the running with diesel cars in Britain. Now, although its products are as good as ever, they no longer enjoy a monopoly of excellence.

Ford has pulled itself up by the bootstraps. Its Escort and Mondeo turbo-diesels have gained so much power and refinement that they can now hold up their heads in the company of, say, the VW Golf,

Citroën Xantia and Peugeot 405. The latest Granada/Scorpio turbo-diesel, with an Italian VM 2.5-litre engine and very tall gearing (90 mph/145 kmh at only 3,000 rpm), waits along motorways with the silence of the chairman's limousine.

Vauxhall, using turbo-charged engines made by Isuzu, General Motors' Japanese associate, first doubled and then tripled its diesel sales this year. So, too, did VW-Audi, which is now offering the super-economical direct injection diesel, once exclusive to Audi, in the latest VW Passat models.

No car has made a better impression on me this year than the BMW 325tds SE I have been driving lately. The turbo-charged and inter-cooled six-cylinder diesel combines muscle with finesse. Push it hard



Ford Granada, a refined and long-legged motorway cruiser with an Italian VM turbo-diesel.

and it goes (indeed, even sounds) like a sporty BMW - but it pulls fifth gear silkily at less than 30 mph/50 kph and will yield 40 mpg (7 litres/100km) on a journey.

Among other competent and pleasantly driveable European-made diesels, the Renault 19, Seat's new Ibiza (exceptionally keen value), the urbane Mercedes-

Benx C-Class and E-Class, and Rover's Montego turbo-diesel estate - which must be one of the most under-rated cars around.

The Peugeot-engined Rover Metro, 200 and 400 diesels are well-built and finished with care. But it is a pity that Rover has not yet produced a turbo-charged and inter-cooled 600 diesel for the company fleet managers who are abandoning

petrol engines to cut costs.

Land Rover has shown that the inherently rather noisy (but exceptionally frugal) direct-injection Rover diesel engine can be quietened significantly. The latest Land Rover Discovery automatic, with 2.5-litre version of this engine, is a class leader for refinement, driving ease and modest fuel consumption.

One large gap in the diesel

car market remains. Where are the automatics? Diesel engines and automatic transmission are a natural fit, but the majority of makers are reluctant to offer two-pedal models. They think the greater cost of automatic transmission, plus the slight loss of performance and economy, would deter most buyers.

Citroën - a welcome exception - has two-pedal, non-turbo ZX diesels at £735 more than their manual gearbox equivalents. The XM turbo-diesels have automatic transmission as standard, but a two-pedal Xantia diesel is still a little way off.

Automatics are available either as standard or at extra cost on all Mercedes-Benz diesels as well as the Audi 80 and 100 TDIs, BMW 3-Series and 5-Series, and Volvo 940. Other makers really should follow. An automatic Ford Granada/Scorpio turbo-diesel, for example, would appeal to managers turning to diesel for their company fleets and, looking for something suitable to offer executives.

The Nature of Things/Clive Cookson

Forecasters find cash in chaos theory

Meteorologists suffer more than other scientists from people's selective memories. We remember their past sins - above all, in the UK, the failure to predict the October 1987 hurricane - while failing to notice how much more accurate their routine forecasts are becoming. A forecast five days ahead today is likely to be as accurate as a two-day forecast 20 years ago.

But chaos theory, the new science of order and disorder, places a fundamental limit on meteorologists' ability to issue accurate forecasts for a particular time and place indefinitely into the future. The dynamics of the atmosphere are so sensitive to small changes in the starting conditions that even a forecaster with an infinitely powerful computer could not predict the details of the weather a month

ahead. The famous - if far-fetched - example is that the flapping of a butterfly's wings over the Amazon could determine whether a storm develops over New York several weeks later.

As meteorologists began to understand the implications of chaos during the 1980s, their initial dismay was replaced by determination to take advantage of the theory's mathematical insights. Quietly they are developing a powerful technique called ensemble forecasting, which is based on chaos theory.

The UK Met Office is leading the way. Its researchers routinely use the ensemble

method for 30-day forecasts. These are much more accurate than they used to be when long-range forecasters relied on statistics and climatology, finding similarities between the current weather pattern and past years - and hoping it would develop in broadly the same way over the next month as it did then.

The Met Office ensemble forecaster runs the super-computer model of the global atmosphere nine times, deliberately varying the starting conditions on each occasion. From the distribution of different outcomes, he or she can estimate the likelihood of various weather patterns over the

coming month. If all nine runs give the same pattern - say, dry settled weather - the forecaster is more confident than if six predict a long settled spell and three end up with wind and rain.

In practice, the Met Office then combines the ensemble result with more traditional statistical analysis to produce its final forecast. This does not predict detailed weather on any particular day but gives likely trends of temperature, rain/snowfall and sunshine over the month.

Using a technical measure of forecasting "skill" on which zero means no better than chance, temperature predic-

tions have improved from 10 per cent to 25 per cent since the 1970s. That means today's 30-day forecasts are about half as accurate as those for the next five days.

Sadly, only big businesses are benefitting from this work. The Met Office stopped publishing its monthly weather prospects in the 1970s because they were then only a slightly better guide than tossing a coin. And it has no plans to resume publication now that they have improved. Instead it sells the forecasts on a confidential basis to large corporate clients in industries such as energy, water and retailing, for whom the commercial ben-

efits far exceed the £5,000 a year subscription fee.

The official Met Office line, expressed by Julian Hunt, the chief executive, is: "The results are not yet reliable enough to issue to the public, who are not really interested in a forecast that is reasonably correct only about seven times out of 10."

Even if the Met Office is right to take such a condescending view of the public's meteorological sophistication, what about small businesses and farmers for whom £5,000 is a prohibitive fee? Why, for instance, should independent shops not be able to adjust their ice-cream stocks in

response to a forecast of hot or cold weather when the big supermarket chains can?

At least part of the answer lies in the commercial pressure on the Met Office to reduce its demands on the public purse, by making as much money as possible selling services. Indeed Prof Hunt

notes the irony that "the fact the 30-day forecast is not brilliantly accurate means that we make more money out of it."

Surely, however, it could still make money by selling a more elaborate or specialised 30-day forecast to commercial customers - as it does with daily and weekly forecasts - while making the basic prospects more widely available. The Met Office is one of the few scientific institutions that is still a world leader in its field. How sad that it no longer believes in fair weather for all.

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MOTORS

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FOOD & DRINK

Exciting wines at razor sharp prices

Jancis Robinson scours the high street for the best value bottles in the second part of her seasonal round-up

A brewer's group of specialist off-licences is offering the widest range of wines, although those interested in price above quality are best served by supermarkets. Limited distribution wines are marked (LD). Star ratings denote corporate commitment to wine quality.

SAINSBURY***

Prices have always been razor sharp, but the range is noticeably more exciting than a year or two ago, although some of the best wines enjoy only limited distribution (LD).

Chardonnay Vin de Pays d'Oc 1992 £2.99. Extremely keen price for a wine in which the less-flavoured appeal may fade rapidly but is rarely associated with this price bracket.

Do Campo Branco 1992 £2.99. Portuguese white blended by Australian Peter Bright from Peralta Pires grapes which has settled down in bottle to become an attractive, if simple, fruity dry white.

Gyöngyös Estergom Country White 1992 £3.35. Lively, dryish Semillon from Hungary. Argentinian Torrontes £3.49. Scented, lively aperitif blended by Trapiche from Argentina's white grape specialty.

Chardonnay delle Tre Venezie £3.59. Still one of the best-value whites available in the UK. Blended by Angela Muir. Riesling QbA 1989 von Kesselstatt £4.65. Someone has been working very hard to place a wine from this ambitious Mosel producer in every major chain and we should benefit from the attractive prices while they last. This is a snip, a declassified Kabinett from a very good vintage and already shows some maturity. Sprightly, for once this really is "liquid refreshment".

Genil Hugel 1992 £4.95 (LD). Hugel's new Alsace blend sounds so much better than Edelweiser and tastes both soft and lively. It would make a please-all holiday house white, especially good for serving without food.

Lindemanns Bin 65 Chardonnay 1993 £4.95 (available elsewhere). Displaying admirable quality considering the quantity made.

Menetou-Salon 1992 H Pellé £5.45 (LD). Better value than most Sancerres on offer. Fine.

REDS

Jumilla Altos de Pio 1989 £2.99.

Plums, life, good powerful aroma. Slightly tough but there is fruit too.

Fangères £2.99. A good, vigorous, if light example of this appellation in the hills of the Languedoc from the ubiquitous Domaines Virginie. Drink slightly cool, with leftovers?

Castel Fajola Tannat 1988 £4.75 (LD). Basque immigrants brought the Madiran grape to Uruguay! Powerful, concentrated, well-balanced wine in a nicely labelled bottle. Worth seeking out.

Ch Beaumont 1990 Haut-Médoc £5.95. A special Christmas price for this good vintage of a respectable cru bourgeois. Penfolds Bin 389 Cabernet Shiraz £7.45. Well-blended classic South Australian.

Mercury 1990 Domaine de la Grangerie £7.95 (LD). Scented and fruity with an attractive suggestion of licorice. Good with turkey.

TESCO***

Great activity to some interesting effect. The rivalry with Sainsbury continues. Many Tesco or International Wine-maker labels.

WHITES

Uvas del Sol Argentinian White £3.49. Big, powerful, dry, exuding flavour from a blend of Chenin and Ugni Blanc with some aromatic Torrontes grapes, made by LA Agrícola.

The Torrontes 1992 (more limited distribution) is worth the top premium over the Sainsbury example (Waitrose has the 1993). Dry but scented.

Australian Colombar/Chardonnay £3.75. Lemon and lime. Well blended from Murray river-irrigated fruit.

Domaine de la Jalousie Chardonnay 1992 £4.99 (LD - very). Yves Grassa, best known for his Côtes de Gascogne, plays to extremely good effect with the white burgundy grape and some top quality barrels.

Vignières £4.99 and £5.49 (LD). Both of these Vins de Pays d'Oc are full, almost blower examples of this most fashionable grape. The Domaine St James (from Etang de Colombes in the Corbières) is so peachy it's almost commercial air "freshener".

REDS

Merlot del Piave £2.99. Full, lively, north Italian soft red. Serve cool.

Uvas del Sol Argentinian Red £3.49. Robust blend of Italian Sangiovese and Bonarda with Malbec.

International Winemaker Syrah Vin de Pays d'Oc 1992 £4.99. Modern, cool-fermented Languedoc wine. Very deep purple. Young, simple, powerful, drink now!

Yarra Glen Pinot Noir 1992 £5.99 (LD). A second label from Tarravara in the Yarra Valley, widely regarded as Australia's natural Pinot Noir habitat. This seems better value than the £9.99 first label to be served, although it may be best served very slightly cool.

Penfolds Bin 128 Shiraz 1990 Coonswarra £5.99. Oak, dense mouthful.

FORTIFIED WINES

Halves of sherry. Tesco sherries have always good but not always this well packaged. A useful half of lively, palate-whetting Manzanilla is £2.99, while the even more tingy, fuller Palo Cortado is £3.99.

Villa Maria Riesling 1993 £5.49. Spine, acidity, spritz, off-dry New Zealand.

Casablanca Sauvignon Blanc 1993 £5.99. Real pizzazz. Off dry richness. Long Chilean.

Scharzhofberger Riesling Kabinett 1990 von Hövel £7.15.

at the moment with some thoughtful buying and useful literature. It seems to be trying to hook us out of curiosity rather than price-cutting.

WHITES

Sauvignon Nouveau 1993 Fortant de France £3.99. Lively, fruity, jolly, if simple.

English wines from the Harvest Wine Group. The exciting range of well-made wines from the English winemaker described in the *Weekend FT* a few weeks ago, in the £4 to £6 range and well worth it.

Bridgewater Mill Riesling 1993 £4.99. Petaluma's second label, a full, lively Riesling from South Australia that is drier, and therefore more useful, than most.

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PERSPECTIVES

As They Say in Europe / James Morgan

The Liberal Democrat menace

Some years ago, when I was in the Basque country, I got talking to a woman whose father had played a large part in the Spanish civil war. He was, of course, on the Republican side which lost. I asked the woman what party her father had belonged to. "He was a Liberal Democrat," she said.

"What on earth did that mean?" I asked.

"It meant," she replied, "that he shot everybody who wasn't."

That seemed to me at the time to be an idiosyncrasy of traditional Spanish politics. But historic Spain and Russia have curious parallels. The two possess the only folk dances worth a damn, and the best folk music. And in neither is there a tradition of seeing the other chap's point of view.

So, today, we see those old Liberal Democrats resurrected. At the other end of Europe and the other end of the political spectrum.

Vladimir Zhirinovsky's Liberal Democrats seem prepared to embark on the same course as that of his Basque predecessor.

In the west, the rise of this unavowed grouping was greeted with alarm. In Russia, things are different. As I have noted before, the papers there seem to be able to take most developments in their stride. Irony provided one approach: "Everything possible has been done for Zhirinovsky to achieve a success. All conceivable errors have been made."

It was rare in the west to read of Russia's democratic leaders being at fault, but in Moscow there was little else. *Pravda* was grimly jubilant, saying that the leader of the Liberal Democrats had reached "a height unattainable for many of his rivals, above all because the executive branch of state power and its propaganda services were busy inspiring Russophobia intensively, importunately and consciously."

In what I might have called the liberal-democratic press, but cannot any longer for fear of misunderstanding, there was a more sympathetic account of what I might have called Russia's choice but not for fear of etc etc. It was noted that the Russian people had a "pre-dilection for confident leaders who promised a rapid change to be brought about without great difficulties. This time it is the turn of Vladimir Zhirinovsky..."

The next day, in a nice touch, the same writer argued: "The electorate got sick and tired of traditional promises by both communists and democrats." These traditions go all the way back to 1990.

Here we must confront an odd fact: Russia has shown itself capable of following in the footsteps of west Europeans. Last Sunday's vote provided a sort of re-run, in an extreme form, of what happened in Italy and, to a lesser extent, Brandenburg the week before. Ruling centre parties cannot win anywhere these days. But Russia possesses newspapers which can be

described as expressing the views of far right communists, and their leading light is Sovetskaya Rossiya which clings to its anachronistic appeal for ideological reasons.

It noted that one Communist party leader had expressed confidence that his group would achieve "considerable mutual understanding with an absolute majority of blocs to which peace in the country and well-being in every home are the supreme value." (That was a blow at President Yeltsin who, in certain circles, has not been seen as an apostle of peace since his forces shelled the Moscow parliament building.)

The next day, *Pravda* announced "the collapse of the democratic myth and the renunciation of the western Utopia". The communists prefer the nationalists, or fascists, to the democrats. And many shared the view that the Liberal Democrats now had a right to have their opinions respected and should be reckoned with in the formation of a new cabinet.

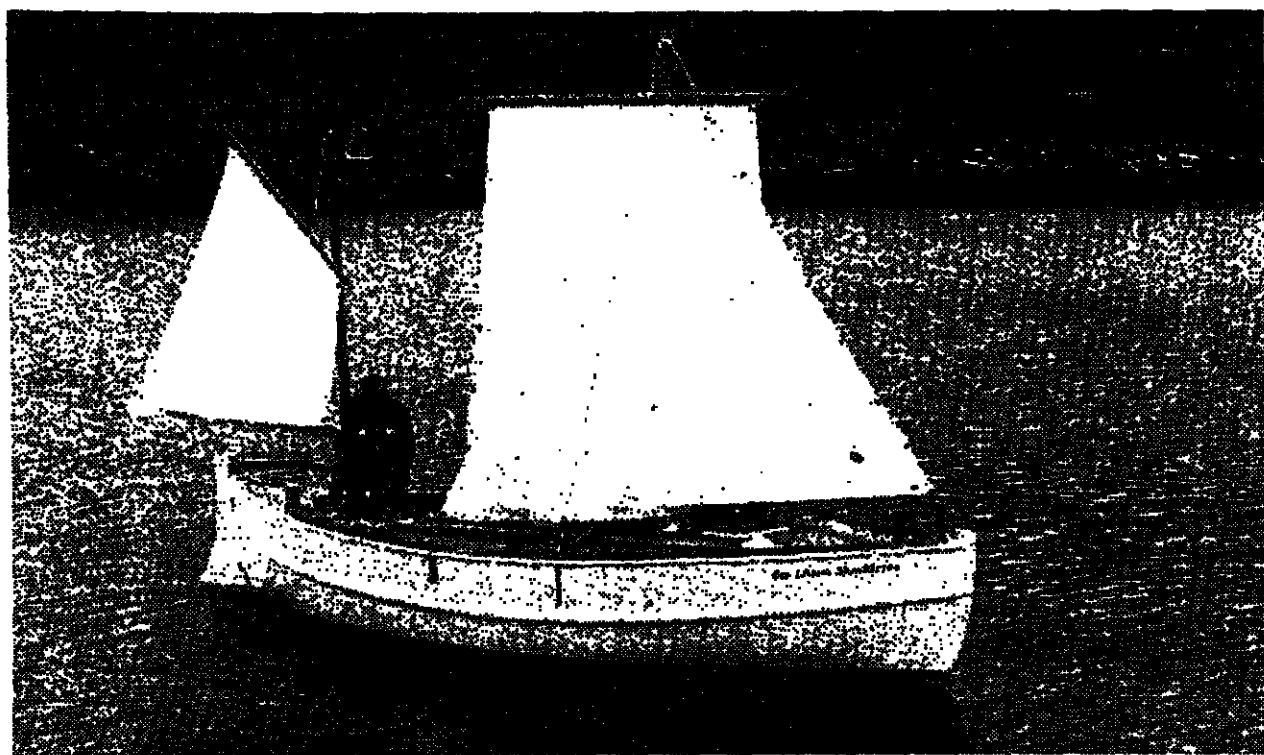
It all looks curiously like Germany in 1932. Then, the economy was in a total mess. There had been great inflation. Recommended western models were not working. The middle ground was squeezed and the communists did everything possible to ensure Hitler took over in 1933. There is always one com-

fort: historical parallels always turn out to be wrong.

Yet, it is a curious fact that, 60 years ago, the name National Socialists had a rather reassuring ring (better than International Socialists). The original party of that name had been a moderate Czech grouping in the last days of the Austro-Hungarian empire. Will all Liberal Democrats now be imbued with an air of menace? From Tokyo to their British stronghold in Yeovil, there must be many who are wondering if Russia has dealt them an unfortunate card.

Russia's Liberal Democrats do seem, however, to have learnt one lesson from western practitioners. The one-time populist governor of Louisiana, Huey Long, said it would be easy to start a fascist party in the United States. "You would just have to call it an anti-fascist party," he said.

James Morgan is economics correspondent of the BBC World Service.



The Sir Ernest Shackleton, the boat which aims to re-trace Shackleton's epic journey



Shackleton on one of his expeditions: he hated it when things eased off

Sailing in the wake of Ernest Shackleton

Roderick Dunnnett reports on a voyage to retrace one of the most heroic sea journeys of the century

The Roaring Forties and the Storming Fifties. Not exactly paradise for the sailor of a small boat. The seas around 55 degrees south, off Cape Horn, are some of the worst in the world. The swell rolls west to east almost unchecked. It is hurricane-torn, even in summer.

This month, four British yachtsmen plan to retrace one of the most arduous survival stories in maritime history: the voyage of Sir Ernest Shackleton and five others from the northernmost point of Antarctica across perilous seas to South Georgia, to fetch help for 22 colleagues marooned on barren Elephant Island - an attempt that succeeded and all survived.

The re-created voyage, in a specially designed 23ft replica boat named the *Sir Ernest Shackleton*, will benefit from the long days of the Antarctic summer. But it will not be plain sailing.

"If we miss the island," says the group's leader, Trevor Potts, a 43-year-old water sports development officer from Tyneside, "there's no turning back: it's South Africa here we come!"

But why should anyone want to retrace Shackleton's boat journey at all?

"It's been at the back of my mind for years," Potts explains. "After all, it was one of the greatest survival stories ever. To bring anyone

back alive, let alone the entire party, against all the odds, was an amazing feat. Shackleton was an unusual leader.

"He undoubtedly made mistakes; yet he was the brains, behind not just both expeditions (six years earlier, Shackleton and three others came within 97 miles of the Pole), but the rescue as well."

□ □ □

Shackleton's ship, *Endurance*, sailed south in August 1914, just as war broke out. His plan involved a crossing of the continent, from the Weddell Sea to the Ross Sea via the South Pole. But in January 1915, *Endurance* became trapped in the pack ice. She was borne 1,000 miles northwards before sinking, crushed by enormous pressures. For four months the party camped on floes, then fled in lifeboats as the ice broke under them.

That they reached Elephant Island, in appalling conditions, was a miracle.

The *James Caird*, largest of the three lifeboats, in which Shackleton made his dash for help, was 23ft long and 8ft in the beam. On the ice two strikes had been added, giving her a freeboard of 2ft 2in. Before the journey she was decked with packing case lids and covered with canvas, stretched over sledge runners. A spare mast had been bolted to the keel to stiffen her. Rocks and bags

of gravel and rocks served as ballast.

The group's only reachable source of help, South Georgia, was a mere speck in the ocean, 800 miles distant. Had it not been for a superb navigator, Frank Worsley, the *Endurance's* New Zealand-born skipper, James Caird might never have reached her destination.

What followed was an epic battle - against continuous, freezing gales and mountainous seas, drenched clothes, salt water sores, ice and frostbite - plus on day nine, at midnight: "The huge crest of an enormous 90ft wave, the most gigantic I had ever seen," wrote Shackleton. "It was a mighty upheaval of the ocean: we baled non-stop, like men fighting for dear life." Their sleeping bags shredded, salt leaked into their fresh water. Worsley had few glimpses of the sun to check their position; his navigational tables were soaked and almost illegible.

What saved them in the end was a mixture of luck, tenacity and hot food: concentrated "hoosh" and scalding milk at four-hour intervals, boiled on a rickety primus.

When they sighted South Georgia 15 days later, they were faced by an iron-bound coast - a lee shore in a hurricane. They were nearly dashed to pieces. Disaster threatened when they almost lost their mast. It was 36 hours before they made a safe landing, tackling precariously into a cove in King Haakon Sound. A 500-



Expedition leader Trevor Potts

ton steamer from Buenos Aires, they later learned, was lost that night with all hands.

□ □ □

Potts is no stranger to adventure. His log of a single-handed voyage to Falmouth from the Azores, when his 25ft boat was almost overwhelmed, won the Dugan Prize in 1986. Soon after, he and another

party member, Robert Egelstaff, made a journey by kayak, in near-zero temperatures, across the Bering Strait from Alaska.

On that trip, the party got separated by fog, missed an island and ended up being arrested by Russian coastguards. When we met in Newcastle-upon-Tyne, in Tyne and Wear, he had problems locating a nearby pub and mislaid the only female member of the party - Victoria Brown, a qualified yachtmaster and navigation specialist. "Don't worry," Potts reassured me. "Vicky will be navigating, not me." The *Sir Ernest Shackleton* has been built to his designs by McNulty's, the South Shields shipbuilder, where he was a workshop manager.

Is it really a replica? "We kept her dimensions as near as we could to the *James Caird*," says Potts. She has a similar sailing ability. But we've made her stronger and more watertight. We've added four bulkheads. Our hull, strip-planked, is glass fibre and epoxy-sheathed, and laid on laminated frames; and has been strengthened with steel so she won't buckle. Our cockpit is smaller but, like the *James Caird*, she's not high enough in the water to self-drain. So we expect to do a fair bit of pumping and bailing." The new boat is ballasted not just with lead, but with water beneath the cabin bunks. Perhaps most important, she has a tiller. With his "accursed mizen" - as Worsley termed it - forming an obstruction, Shackleton was forced to steer with yoke and lines.

There is no room for a life-raft, but an Inmarsat satellite transceiver, backed up by VHF and GPS (global positioning system), should keep Potts's team on course and in touch. "Still, we plan to navigate by traditional means part of the time," explains Vicky Brown, "to get some idea of the problems Worsley faced." If their GPS breaks down (as it might), they will have no choice.

Their main advantages over Shackleton will be temperature and daylight. "But winter conditions are actually more settled," Trevor Potts points out. "In the Antarctic summer there's a good chance of strong crosswinds and high swells - a north-easterly right up our nose. If we get a hurricane, things could definitely be as bad. But Shackleton had huge problems with ice; we don't anticipate that."

No photographic record exists of the boat journey or the other epic that followed, and which the group also plans to retrace: a treacherous climb by Shackleton, Worsley and Irishman Tom Crean over the glaciers, snowbound ridges and bleak mountains of the uncharted interior of South Georgia to reach the Norwegian whaling stations on the other side.

The skills of the fourth expedition member, Chris Smith, a mountaineering expert from North Wales, could well be needed.

With a scrap of German chart and a pair of compasses, Shackleton's trio covered 40 miles (22 as the crow flies) in 36 hours, scarcely pausing to rest. Trapped on a ridge, they glissaded 1,000ft into the unknown, hunched together on a coiled rope, and landed in snow, descending next day via a waterfall to Stromness. Their luck never waned. The moonlit conditions were the best in weeks. Next day, the blizzards closed in.

Will Potts and his companions manage? "My experience is that when the going gets hard you become stronger, not weaker," says the leader, who suffers from rheumatism and arthritis (Shackleton himself went through agonies due to because of sciatica). "None of us is a giver-up," puts in Vicky Brown. "Shackleton hated it when things eased off," Potts adds.

The *James Caird* (named after Shackleton's main sponsor, a Scottish industrialist) survived both the journey home and a second world war flying bomb. Restored by the National Maritime Museum, it is displayed at Dulwich College, to which it was presented after the explorer's death on his last Antarctic expedition - a planned circumnavigation - in 1922.

The building of the *Sir Ernest Shackleton* has been sponsored by the Cryphon group of companies: Aran Energy, Clyde Petroleum, Kerr McGee and Santa Fe, with additional help towards equipment and clothing. Further sponsorship is welcome.

Sex, food and fighting

Continued from Page 1

himself the finest cock in the world.

Bobby, of course, was not the owner of all these cocks and all these chickens. He is just one of 36 members of the Zamboanga Game Fowl Breeders Association, who in producing more than 6,000 top-rate cocks a year have put Zamboanga firmly on the Filipino cock-fighting map. Today the quality of La Paz cocks rivals that of Bacoled, the country's cock-fighting capital in the central Philippines, where 50,000 game birds are raised annually.

The La Paz cockers have come to this isolated valley for its ideal climatic, breeding and training conditions, and also for its security. Surrounding La Paz are tall observation towers equipped with high-powered searchlights for night surveillance. At the entrance is a barricade manned by a guard totting an M-16 assault rifle.

"A necessary precaution," sighed Bobby. "We used to have a lot of losses. It's no wonder - not one of the cocks raised here is worth less than 5,000 pesos, more than \$375 - that's more than six months' salary for many Filipino workers. The Zamboanga Whites

bred here are each worth many times more than that."

But Bobby's big concern that day was his on-going conditioning programme for a fight just three weeks hence. It was a big fight, a seven-cock derby in Lapu-Lapu City with a top prize of 4.25m pesos, more than \$150,000.

"You can't actually 'train' a cock to fight," Bobby told me when I asked if he thought cocks had any intelligence. We

bred here are each worth many times more than that."

There is just one round, a single, quick, fatal encounter

were sitting beside a covered sparring ring watching assistants tie the two sets of miniature gloves over the spurs of a pair of cocks.

"Game birds have more instinct than reason - some people would call them just plain stupid," he added. "If they had any brains they would take one look at the three-inch steel slashing blade attached to their opponent's left leg and run the other way. But no, they rush into what for one is certain death - few cocks survive more than two or three fights. Five- or six-time winners are exceptional."

"What you can do, though," he said, "is prepare them for a fight, develop those qualities which make winners - fighting spirit, leg strength for cutting power, attacking action, timing, body conformation." We watched the cocks warily circle each other, side-stepping, feinting, then suddenly diving down on each other with legs slashing away in a blur of motion.

"It is just like boxing."

There is just one round, a single, quick, fatal encounter

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ers the town's poor were making smaller side bets with each other. So noisy and jammed do the pits get that bettors and bookies rely on a system of hand signals - fingers pointing upwards to indicate tens of pesos, sideways for hundreds, down for thousands. Presenters with microphones, bright lights, referees in white shirts and bow-ties, punters bellowing and gesticulating - Bobby was right; it was a lot like boxing.

But there are no bouts in this sport, no point scoring, no final-round re-evaluations, no technical victories. There is just one round, a single, quick, fatal encounter. A few feathers fly, a blade hits a vital organ, the crowd roars and a cock lies dead in the sand on the pit floor. It usually lasts no longer than 30 seconds. After so much care and preparation the whole thing, in fact, seemed to me rather anti-climactic. Certainly it is no more cruel than the fate met out daily in the world's abattoirs to millions of industrially-raised chickens.

Give me La Paz any day, I would say, if I were a chicken. Enjoyable surroundings, plenty to eat, and stimulating company. I have just one proviso: when the big day comes, don't match me against a Henny.

As I puffed and panted my way down the lower section of Gentianes, one of Verbier's longest and least relenting runs, I was aware of another skier having a similar battle not far away. We both paused, using our chance encounter as an excuse for a breather.

"Wow!" he said. An American. "Quite a run! 'Certainly is.' I said. 'How does this compare with the Rockies?' I asked, knowing perfectly well that America had nothing to touch Verbier for long, tough, uncompromising skiing.

"Never skied there," he said. "I'm from Alabama." No wonder he was tired. The only ski resort in Alabama is Cloudmont (50 miles from Chattanooga) where the vertical drop is just 150 feet. Gentianes alone has a vertical drop more than 20 times as much.

There is a large amount of challenging skiing in the Swiss resort of Verbier. In other places you might screw up the courage to ski the difficult runs, and then once you have done so a couple of times you can relax knowing that you have done your brave deed for the day. But Verbier has wall-to-wall challenges.

Mont Gele and even Mont Fort are occasionally closed because of blizzards and avalanche danger. In 1980, when Verbier's first proper chairlift was to the Croix-des-Ruinettes was

Skiing/Arnie Wilson
Wall-to-wall challenges

erected, the installations were delayed by bad weather in spite of Verbier's reputation as a sun trap. (The first lift - the 1946 "Funiluge" - was a giant sledge powered by a combustion engine accommodating 12 skiers.)

British skier Konrad Bartelski had told me that the back of Mont Fort was spectacular but not a good place to fall. I had always been petrified that one day I would find it open and have to ski it. This year that moment arrived.

There are no two ways about it. I was frightened: as much for the skiers perched perilously above me in the severe opening couloirs, as for my own skin. However the elation at getting down safely was unforgettable. After skiing the back of Mont Fort, the front - steep as it may look - will never seem as threatening.

Mont Gele in good, fresh snow is also spectacular - with the opportunity of plenty of good turns in powder before you need to put the brakes on - but nowhere near so intimi-

dating as the back of Mont Fort unless you attempt the steeper side which is fraught with danger.

Verbier, of course, is not just for strong skiers, although they probably get more out of it than beginners and intermediates, who also have to cope with busier pistes and longer queues caused by Verbier's somewhat inadequate lift system. One of the advantages of skiing the back of Mont Fort is that it takes half a day and does not attract crowds. Even more conventional runs like Gentianes - too tough for inexperienced skiers - will keep most skiers busy for long spells in between lifts.

Trying to evaluate Verbier is an exasperating affair. In many ways it has some of the most exhilarating skiing in the world. But a modern French lift system of multi-person gondolas replacing its more antiquated, ponderous cable-cars would take away some of the angst involved in trying to reach the slopes more quickly.

This day-time undercurrent

of frustration dissolves by night into irritation with the resort's Hooray. Hooray. Hooray. Bather like Verbier's lift system they are irritating rather than infuriating. Surely the original Hoorays must have grown up by now - or have they? Anyway, fresh supplies seem to arrive each year.

Even the Farm Club, considered an upmarket nightspot, suffered during my visit. After two chaper girls danced topless, five young Englishmen took to the dance floor and stripped off their clothes. No-one seemed to object, but it was not my idea of a fun night out.

The following evening, on our chaper girl's night off, we and our Flexiski host Neal Manuel enjoyed a much more entertaining - and cheaper (Manuel paid) - evening in a local bistro. Like quite a few small tour operators, Manuel started out working for someone else. He was a ski guide with Don Kremer's Snowtime operation, based in Meribel.

Flexiski (049084-446) operates in just two resorts: Courchevel and Verbier. It offers a chalet in each resort, chalet apartments in Courchevel's central Forum complex and the rest of its accommodation is in three- and four-star hotels, four in Courchevel, including the four-star Annapurna, Bellecote and Hotel des Trois Vallées, and one in Verbier, the Hotel Vanessa.

مكتبة الامير

BOOKS

Fantasies for the young at heart

The sight of 1,000 children's books clamouring for our attention in a medium size bookshop is almost as maddening and confusing as the sight of 1,000 children clamouring for our attention in that same bookshop. So call them all to order and group them strictly in lines - with the youngest first, of course.

The most pictorially ravishing picture book is undoubtedly *The Children of Lir* by Sheila MacGill-Callaghan (Ragged Bears, £8.99), a story loosely based on an Irish legend that may have been one of Shakespeare's sources for *King Lear*. When Lir's wife, Aife, witnesses the affection the king shows his children, she changes them all into swans and the conditions that need to be fulfilled if they are to regain their human forms seem beyond the reach of mere human ingenuity. The book's Russian illustrator, Gennady Spirin, has an exuberant touch - his dolphins leap out of the waves at us, and his birds beat their wings in a baroque frenzy. All this marvellous colourwork helps us to forgive the book's author for a fiction that leans too heavily at times on archaic locutions.

Other outstanding picture books for the under-sixes this autumn include *Too Tired* by Ann Turnbull (Hamish Hamilton, £3.99), illustrated by the excellent Ella Chichester Clark, in which the slothful behaviour of two sloths makes Noah's job of filling the Ark with two of everything before it gets too late almost impossible; *The Beast with a Thousand Teeth* by the elderly Python Terry Jones (Pavilion, £6.00), illustrated by Michael Foreman, in which too many cakes topped by pink icing destroy a heartless beast's hopes of using his magnificent teeth to gobble up an entire community; and *The Snow Angel* by Angela McAllister and award-winning illustrator Claire Fletcher (Bodley Head, £3.99). Elsa lies down in the snow and makes the shape of an angel with her outstretched arms. The impression (like her own fantasy of turning into a

snow angel) does not go away. Finding a new theme for an anthology of children's poetry is always extremely difficult - poets have been flogged to death; witches are looking increasingly threadbare. One anthologist who always seems to have the capacity to spring a pleasant surprise is Anne Harvey. *She Said, She Said* (Blackie, £3.99) is a collection of poems written in the form of conversations - from Auden's marvellous ballad "Oh, What is that Sound?" to the traditional "Oh Soldier, soldier, won't you marry me?" Like novels written in the first person, poems spoken in individual voices arguing, teasing,

Michael Glover on some children's books which are just clamouring for attention

complaining or merely enquiring, have a special capacity to surprise and delight. The unexpected interjection heightens the dramatic effect at every twist and turn.

Another new anthology worth recommending is *Funny Bunch* (Viking, £8.99), a collection of comic poems edited by the excellent children's poet Kit Wright. Wright has done his homework as an anthologist. He does not plunder the best of his material from other people's anthologies - the oldest trick of the anthologist's trade.

Of the new novels of children of six to eight, *Akimbo* and the *Crocodile Man* (Methuen, £6.99) by the prolific Alexander McCall Smith is the third in a sequence of novels about a young African boy who goes on safaris. The moments of excitement are worked for; there is no gratuitous sensationalism. Jenny Nimmo's *The Stone Mouse* (Walker, £6.99) is a short, taut novel told from an unusual perspective - that of a stone mouse who has to tolerate the tiresome attentions of holiday visitors to his

seaside home.

Anne Merrick has taken for the subject matter of her first novel for older children the difficult and challenging problem of a child who has lost its memory and is trying to reconstruct, step by painful step, a new reality for itself. This could have been merely a worthy book; in fact, *Someone Came Knocking* (Spindletree, £3.95) is an extremely powerful and engrossing one from start to finish. Susan Price, who won the Carnegie Medal in 1987 for *The Ghost Drum*, is very good at retelling traditional fairy stories, giving them new setting and unexpected meanings. Her latest book, *Head and Tales* (Faber, £9.99) mines a similar vein. Lynnet the storyteller, an old man in the grip of a fever, makes a macabre request: that his head should be cut off, wrapped in rags and delivered by his own children to their grandmother's distant home. It seems a near impossible task until the head opens its mouth and starts to spin some grisly yarns of its own.

Finally, a collection of stories for children that is likely to appeal as much to parents as to their sophisticated young. *The Oxford Book of Children's Stories* (Oxford, £17.95), edited by the excellent children's novelist Jan Mark, is a collection of some of the best short stories written for children over the past 250 years, beginning with Sarah Fielding's "Story of Celia and Chloe" of 1749; passing through contributions by such writers as George MacDonald, Louisa May Alcott, Jean Ingelow and Christina Rossetti; and concluding with work by some of the editor's own contemporaries - James Berry, Anne Fine (winner of this year's Carnegie Medal for *The Flour Babies*) and Philippa Pearce. What insights the collection gives into the historical development of writing for children! The most interesting of all being the fact that the ingredients for a successful children's story have remained remarkably constant down the years. Everything changes, everything remains the same.

Fantasia of great rigour

If in adult life you are going to become a writer, San Remo on the Italian Riviera seems to be as good a place to be brought up in as any other. This posthumous book reveals how well it served Italo Calvino (1923-1985) as a playground for childhood and adolescence. It makes one ask whether San Remo's role as a holiday resort, as a fun place, accounts for some of the fantastic invention, the ludic element taken to extremes, that is so ubiquitous a feature of Calvino's fiction.

Up to now San Remo has been little more than an entry in Calvino's curriculum vitae, along with the fact that he was actually born in Cuba of Italian parents, both of whom were scientists, while always regarding San Remo as his "real" birthplace. His experience during the second world war as a partisan in the Italian Resistance in the surrounding countryside is reflected in his early work. After the war when Calvino was still in his early twenties he graduated at the University of Turin with a thesis on Conrad and then began a career in publishing combined with writing.

Calvino's creative talent was recognised by Cesare Pavese who promoted his work, and with the publication of tales like *Il visconte dimezzato* (*The Cloven Viscount*) in 1952, Calvino's reputation as someone who could sustain a far-fetched fantasy with the logical rigour of a mathematician was secure. Comparisons with Lewis Carroll as well as Borges abounded. Throughout the 1960s and 1970s, thanks to sensitive translators like Archibald Col-

THE ROAD TO SAN GIOVANNI by Italo Calvino, translated by Tim Parks

Jonathan Cape £12.99, 150 pages

quhon and William Weaver, Calvino's work acquired a considerable following in the UK and the US.

In trying to explain the nature of his fiction to English-speaking readers, Calvino once made the interesting linguistic point that "There are two different words in English, novel and romance, for what in Italian is always called a *romanzo*". It is romance given the surface gloss of realism that is his favourite form. The writer in our tradition to whom Calvino felt especially close was R.L. Stevenson. The "Cloven Viscount" is a medieval version of Dr Jekyll and Mr Hyde.

But now with the publication of these short pieces composed at various times as *The Road to San Giovanni*, we have a direct attempt on his part to reconstruct the world of his childhood in the manner of Proust. If as a novelist Calvino occupies a frontier between fantasy and reality, he reveals in the title-piece that the family house where he was raised also looked two ways. It "was situated, in an area once known as 'French Point', on the last slopes at the foot of San Pietro Hill, as though at the border between two continents".

Below was the town with the seafront and harbour offering escapism; above were the hills and the land cultivated by his father, a botanist and a farmer. When the hobnail-booted Calvino senior ascended the rugged path to his fields he had the air of a man entering his kingdom. The boy Italo would toil along after him, already conscious that his domain lay not among the mountain flora whose names he could never remember, but down below, oriented on such landmarks as the cupola of the Prince Amedeo Municipal Theatre.

The immemorial estrangement between father and son is seen in this essay through landscape and townscape. It is complemented by the next one - "A Cinema-Goer's Autobiography" - where the writer describes how he did manage through constant travel to inhabit his own chosen space peopled by the stars of pre-war Hollywood. This was before the days of Technicolor and the monochrome effect enhanced the magic.

It all came to a stop in 1938 when Mussolini banned American films. But by then the cinema had fulfilled its function of confirming him in his commitment to the imagination as a way of life. He was to return to the cinema as an adult during his post-war renaissance in Italy, and he honours his debt to Fellini as a source of inspiration.

Before that there was the war and Calvino dredges up some painful "Memories of a triolite" when in retreating from a village in the Martime-Pre-Alps one of his comrades was killed. Then in "La Poubelle Agrée" the scene switches to post-war Paris where Calvino hows a successful man of letters is living with his wife. His contribution to the domestic equilibrium is to empty the rubbish every day into *la poubelle agrée*: it is left untranslated because it defies an accurate rendering - "the pleasing or approved rubbish" - the point being that no rubbish will be collected unless it is deposited in such a *poubelle*.

The regulation sets in train a meditation on western civilisation in which garbage disposal (including the junking of early drafts of literary work) is seen as its essential ritual. Finally "From the Opaque" carries this Calvinoesque exploiting of a master-metaphor into the realm of the cosmos where shadow and sunlight are presented as over-riding all other conditions of being. The translation of this poetic piece must have presented Tim Parks with his greatest problems; but the whole book reads most elegantly; it represents a series of charming footnotes to the work of a major modern writer.

Nigel Andrews

Anthony Curtis



Major-General Sir James Kempt, c.1824, artist unknown. Is one of a number of illustrations to 'The Victorian Soldier Studies in the History of the British Army 1816-1914', edited by Marion Harding and published as a paperback by the National Army Museum at £7.50

Anything but fossilised

J.D.F. Jones gets hooked on rocks

I know next to nothing about geology - my only acquaintance with fossils comes from *The French Lieutenant's Woman* - and I had never thought to give the matter my attention. This book shows me to be a fool. I have read *The Hidden Landscape* in a state of sustained fascination, and commend it to all the other fools out there.

Richard Fortey's theme is the connection between the geology of the British Isles and our landscape: he shows how today's beautiful, diverse and threatened countryside is the result of events that took place unimaginable millions of years ago. It is, he says, "a book about connections between geology, natural history, and ourselves. The intention is to inspire a way of looking at the landscape..."

This is not, I suggest, a book to be read at a single sitting - it is too rich, too dense, for that. Rather it should join Pevsner and Hoskins and Rackham, if not in the car at least on the shelf below the Barbour and above the wellingtons. (It is a pity that the index is not quite full enough, since you will frequently want to look up place names from your travels.) I am not remotely qualified to say so, but I suspect we have here a new classic.

We start in the North-Western Highlands of Scotland and finish on the fast-eroding shores of East Anglia. Like all geologists, Fortey is a bit of a nut, and certainly a romantic when he gets behind the gasworks in Haverfordwest, cracks a rock in two and discovers a trilobite, "there was astonishment in suddenly finding this complex creature, so perfect though so old, with a pair of petrified eyes visible to the naked eye even in the misty light

of a Welsh afternoon, eyes that had last seen the world more than 400 million years ago - before the first, humble liverwort had colonised the dampest shore, before sharks, before flies, and how unimaginably far before humankind".

There you have a reminder of the time factor. This is not a book for Fundamentalists: the Earth is 4,600 million years old - "one of those immutable facts that should be filed in the mind, along with the date of The

THE HIDDEN LANDSCAPE by Richard Fortey

Jonathan Cape £19.99, 310 pages

Battle of Hastings and The French Revolution". Britain apparently contains as great a variety of rocks in a small area as anywhere in the world, and Richard Fortey rolls back the skin of vegetation and buildings so as to lay bare the hidden landscape that has shaped our nation and its character. (In a typical aside he cannot resist quoting Catherine in *Wuthering Heights*: "My love for Heathcliff resembles the eternal rocks beneath - a source of little visible delight, but necessary"). This is popular science at its best; it is beautifully written, constantly witty, and excellently illustrated.

The language is certainly accessible to the layman. Consider, for instance, the tiny agnostids - "Blows have been exchanged over the question whether agnostids are or are not really trilobites. They have been thought of as Cambrian parasites or, more plausibly, as Cambrian plankton... They changed

through time, so just by looking at these little enigmata the expert can tell what part of the Cambrian the fossils come from. This is practically useful in tracing correlative beds from one part of the country to another, or even throughout the world. Some of the same agnostids that lurk in the cliffs at St David's are found in Sweden, China, Australia, even Siberia. I once had a visitor from Kazakhstan whose command of English was rudimentary, but we got on perfectly well by merely exchanging smiles and the names of agnostids..."

That illustrates the style of an engaging book. There is no particular thesis: this is a journey around the British Isles, describing, explaining, analysing, digressing, making clear many things we may never have taken time to consider.

The range of Fortey's enthusiastic scholarship seems limitless: he talks in passing about the quality of bottled mineral water, the Motne Thrust, the Loch Ness monster, cream teas, Gerard Manley Hopkins' "dappled things", the "grass of Parnassus" on Lindisfarne, D.H. Lawrence's ambivalent response to coalfields, the Cheshire salt industry and its origins, pergetting, the importance of Welsh slate and Portland stone for British architecture, the demise of truffle hunting, elephant fossils in East Anglia, the true extent of the Ice Age, the peat industry in the 14th-century Norfolk Broads, the nature of (real) amber, the link between churchwarden pipes and lip cancer, the fact that "on the summit of Mount Everest there are Ordovician fossils really quite like those from North Wales"...

And so on and so forth.

Full pelt through Armenia

A young writer walking in eastern Anatolia stumbled on a piece of bone which, so a nonchalant shepherd told him, was human.

Thus began Philip Marsden's voyage round the Armenian diaspora. When he reached the desert town of Ras ul-Ain in northern Syria, however, the place where thousands of Armenians were corralled and massacred in 1915-6, he found nothing, felt nothing. "I had thought that seeing the places might make it easier to understand. It hadn't; it had made it harder."

Here is an observant writer armed with a rich theme: the long aftermath of the Turkish genocide whose details were for years suppressed by perpetrators and victims alike. Marsden writes vividly, sometimes sublimely (there is a river whose "bulbous eddies twist and spin", an old cobbler whose fingers are "long and arthritic and bent sideways

THE CROSSING PLACE: A JOURNEY AMONG THE ARMENIANS by Philip Marsden

HarperCollins £16.99, 250 pages

like the bristles of an old brush.") If he does not in the end succeed in illuminating either the story or the character of the Armenians, that, I suggest, is because his method stands in the way of his purpose.

For it is a hectic, insistently first-person narrative. There are numberless encounters and endless details of a six-month journey through 20 contiguous countries which leave the reader tired and out of breath. One longs for the author to sit still and reflect; for then his eyes are sharpest, his objects clearest and his writing at its least self-con-

scious. Marsden is a writer who could be in the Leigh Fermor mould were he to play to his literary rather than reportorial strengths.

As things are, every character and incident gets equal treatment and a backbeat story peters out inconclusively with sporadic gunfire at night on a hillside above the Armenian-Iranian border. The result is a travel book, or a book about a research trip, but never quite what one had hoped for: a portrait of an extraordinary race.

On the boat to Cyprus early in his journey, Marsden met a Jewish antique dealer who asked him what he was doing. "I'm on my way to Armenia." "Armenia? What are you going to find there?" "I have no idea." Unfortunately, Marsden spoke more truly than he knew.

Christian Tyler

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Nigel Andrews explains why it is becoming more and more difficult to tell European and Hollywood films apart

Even the most respected and individualistic directors today are condemned to this itinerant way of life. Poland's Krzysztof Kieslowski made his last two feature films in France; Frenchman Bertrand Tavernier's

The anti-Hollywoodites pick out the following notifiable evils. They (Hollywood) make films that are high on hardware, low on human insight. And their movies are like a factory product: fashioned accord-

RIP: Is European cinema a dying breed? Salvatore Cascio in Giuseppe Tornatore's 'Cinema Paradiso'

European production and American buyers some 70 per cent of films and TV shows from the EU... Despite claims that American distributors exercise excessive market power, this imbalance also reflects European moviegoing taste. The French have a taste for cultural imperialism. France's best-known director, Bertrand Tavernier, says: "it is a terrifying danger... America can impose on Europe a whole way of making movies. Or, at least, TV in France, practically all the TV programmes are made by one-third of programmes are English."

That, surely, is the fault less of Hollywood than of the destabilising effect of the break-up of individual European cultures under the impact of the EC. The EC may show the way to a glimmer of transatlantic input and he suspects conspiracy.

"America takes film seriously," says Tavernier, "not just because it is a big industry, but because it sells a way of life. They know cinema is a vehicle for ideas, and they want to sell those ideas over the world. The Americans take the time to make the most powerful images, very seriously."

So we are back to Coca-Cola and McDonalds. But even if European dislikes this Goliath, and his tendency to wield soft drink monopolies in one hand, spike club soda in the other, it is the world can our Continental David do?

"We must have strict rules! But after all this is the lesson of American cinema. When you see a new film festival, when you see film like *Man Without a Star*, you see that there are fights between big

And the world needs Hollywood to start marshalling its arguments in a propaganda war that Europe is fast turning in its own favour, questioning and re-defining terms like "free market" and "protectionism" as it does so. Is there a cattle baron in the house?

But despite the sad joes, who somehow, in this uncritical business, achieve premier league status, the first show in the new Comedy Store was a wholly occasion. Slight lines are better; the 400 seats give a sense of space with no loss of

Funny turns: Eddie Izzard at the newer, bigger Comedy Store

These comedians are now at the Establishment, roaring into their 30s, and, through the expansion of media into videos and niche publishing, making money faster than old Tarbie or Brucie could ever have imagined. What we need now to keep them on their toes is a new generation of comedians with the ability to lift their material above personal idiosyncracies to embrace a broader imaginative world. They might even consider reviving that almost forgotten art form, the well rounded joke.

Antony Thorncroft

Or, after all, the real story is that after three years the VAT will be raised to 5 per cent or more. This is the genuine concern of the dealers. The government has it in its power, at minimal cost, to make things easier for them. They have to accept an EC imposed import tax for the first time, but they still pay 17% per cent VAT on works of art painted since 1973 while dealers in EC countries pay around 5 per cent. Reducing VAT to the EC level would be a great gift to contemporary art and provide the dealers with hope for the future.

But, despite the ironies, the final, messy compromise is probably the least damaging. Everyone knows that, most nights, there is nothing to choose between the playing quality of the four orchestras (adding in the LSO at the Barbican). Subsidy is a small and declining part of their income. Let the market place decide their future. This week end the RPO can celebrate the prospect of £500,000 in sponsorship support from Classic FM; the Philharmonia, the public acknowledgement that, along with the LSO, it is

say, or the US, which sold for \$100,000 in the auction room, could now cost the buyer £700 more. The levelling of VAT on the gross price produces an extra cost just marginally higher than the previous payment, which included 17.5 per cent levied on the buyer's premium: the final price would be £114,287 as against £113,512. A non-EC buyer who then exports the antique outside the EC would actually pay less since he could get a VAT refund.

The auction houses say the dealers are crying wolf. They

★
The UK's oldest public picture gallery, at Dulwich, has secured its future by getting an aimable divorce from its previous Trustees, the governors of Dulwich College and Alley's School, and gaining an impressive new board, headed by Lord Sainsbury of Preston Candover and including the generous, and rich, Mrs Vivien Duffield and Christopher Brown, chief curator of the National Gallery.

The new board is seeking an endowment of £5m-£8m. This will ensure that the Gallery no longer suffers from a persistent annual shortfall in revenue of around £200,000. It will also enable it to open at lunch time, improve the lighting, promote itself, and, eventually, build on a café, and space for temporary exhibitions.

It was left to Nina Rautio - a Russian *soprano spinto* of grandly impassioned authority, rich-grained in tone, only occasionally uncomfortable in changes of gear - to convey an authentic sense of Verdian style and content otherwise very largely obliterated.

Max Loppert
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There is one other man who must be lighting candles this weekend: Nicholas Snowman, director of the South Bank Centre, who was languidly ticked off by Sir Leonard for *pushing too hard for the LPO*, the resident orchestra at the Centre, in his evidence to the Committee. It could be that Hoffmann came out, marginally, in favour of funding the Philharmonia at the expense of the LPO because of such pressure. If the Arts Council had gone with the Philharmonia, *as it was*

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Malcolm Rutherford reviews the
new RSC production



north of the Tweed? The most that is offered here is a dreary Scottish reel, performed in semi-darkness. And the message is that the Scots, unlike the Danes, do not know how to dress. If you can make a character out of Oleric in *Humlet* it

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Personalities or minimalism is what the CD buying public seems to want, says Richard Fairman

extremely attractive mezzo and another by Ute Lemper, who is only a little way behind in both categories. As it is unlikely that the public has

religious truth, but that is not why they have become popular. Their music is easy to absorb. It is culture on a sugar-

ness to repackage old recordings at a discount. That is where the big companies are making their profit these days. New recordings of the standard



TELEVISION

SATURDAY

BBC1

8.00 *Little, 7.55 News, 7.30 Mythical Magical*
 8.10 *Little, 7.55 News, 7.30 Mythical Magical*
 8.10 *Little, 7.55 News, 7.30 Mythical Magical*
 8.10 *Little, 7.55 News, 7.30 Mythical Magical*

2.15 *Weather*.
 2.15 *Grandstand*. Introduced by Dougie
 Dornely. Including 12.20 Football
 Focus: A look forward to key FA
 Premiership matches, 12.45 Racing
 from Ascot. The 12.50 *Knight's Royal*
 1.00 *News*. 1.05 *Sing*. The
 men's downhill from Val Gardena,
 Italy. 1.15 *Racing*. The 1.20 Long
 Walk hurdle. 1.25 *Highlights of the*
World Championship.
 1.30 *Racing*. The 1.35 *Belvedere*
 Cup Handicap Chase. 2.05
 Showjumping: The Grand Prix
 from Olympia. 2.55 *Rugby League*.
 Fourth-round Regal Trophy affair.
 3.45 *Football Half-Time*. 3.55
Rugby League. 4.35 *Final Score*.
 Times may vary.

5.15 *News*.
 5.25 *Regional News and Sport*.
 5.30 *Dad's Army*.
 5.30 *Big Break*. Snooker players Cliff
 Wilson, Darren Morgan and Paul
 Davies team up with commentators.

7.00 *Noel's House Party*. Chances from
 Crinkley Bottom as jester thrower
 Steve Backley wins a Gobson, and
 Noel Edmonds invites Formula One
 racing driver Martin Brundle to Grab
 a Grand.

8.00 *Casey Jones*. A chef's temper turns
 breaking point when the restaurant
 manager finds his girlfriend - a
 sure-fire recipe for disaster resulting
 in an unscheduled trip to casualty. A
 household advice show is in the
 looking after her sister's father but
 cannot afford to put him in a home,
 and an allergic reaction to a bee
 sting plunges a man into a fire-
 death situation - can paramedic
 Josh ensure his survival?

8.30 *News and Sport*.
 9.10 *Film: Pirates, Trains and Automobiles*.
 Steve Backley wins a Gobson, and
 Noel Edmonds invites Formula One
 racing driver Martin Brundle to Grab
 a Grand.

9.40 *Match of the Day*. Desmond Lyness
 introduces highlights from two of the
 day's top FA Premiership matches,
 with full news of all other games.

1.40 *Golf: The Johnnie Walker World*
Championship. Coverage of the
 third round from Jamaica, as Nick
 Faldo defends his title against 27 of
 the world's top players.

1.10 *Weather*.
 1.15 *Close*.

BBC2

7.00 *Film: Boom in the Moon*. 8.10 *Film: The*
Damned Don't Cry. 8.55 *Away in a Manger*. 10.25
Film: Look for the Silver Lion. 12.05 *pm* *Michael*
Berry's Choice Quiz.

12.15 *Film: Young at Heart*. Frank Sinatra
 romances Doris Day in this well-
 loved musical about the fortunes of
 a woman in love with a young
 composer (1954).

2.10 *Civilisation*. Sir Kenneth Clark
 examines works by Wordsworth,
 Keats and Ruskin.

3.00 *Film: Solomon and Sheba*. Biblical
 drama, starring Yul Brynner, George
 Sanders and Gina Lollobrigida
 (1959).

5.30 *Debutante's Christmas*. Six-part
 guide to preparing festive dishes.
 5.50 *Surround*.
 6.25 *News*.
 6.55 *The Great Depression*. The docu-
 mentary series concludes with a
 look at the late 1930s, when Ameri-
 can politicians turned their attention
 to rebuilding the country's battered
 economy.

7.30 *Have I Got News for You*.
 8.00 *Arana Radio Night*. Introduction to
 tonight's unique experiment in which
 TV and radio interact. Simultaneous
 broadcast with RA.

8.10 *The Seven Ages of Radio*. Actor
 Ian McKellen compares the history
 of broadcasting with the famous
 'seven ages of man' speech from
 Shakespeare's *As You Like It*.

8.50 *TV Talk: Radio Rabbit*.
 9.00 *Seven Ages: The Schoolboy*.
 Alastair Cooke's behind-the-micro-
 phone. Alastair Cooke discusses
 letters from America, the longest-
 running programme in radio history.

9.05 *Back to Square One*.
 9.25 *Seven Ages: The Lover*.
 9.35 *Sunday Dinner*. Nostalgic look at
 traditional family Sundays of the
 1950s and 1960s.

9.50 *Seven Ages: The Soldier*.
 10.00 *Pirates*.
 10.15 *Seven Ages: The Judge*.
 10.25 *TV Talk: Radio Rip-Off*. The
 growing trend of radio programmes
 being re-ramped on TV.

10.55 *Seven Ages: The Old Man*.
 11.00 *The Spot FX Man*.
 11.20 *Seven Ages: Sensitivity*.
 11.30 *It's Life, Jim*.
 11.50 *The Time Signal*.
 12.00 *The Two Voyages of Donald*
Crowhurst.

12.35 *Shipping Forecast*.
 12.40 *Film: The Next Voice You Hear*.
 Old-fashioned parable, starring
 James Whitmore and Nancy Davis
 (1950).

2.05 *Close*.

LWT

6.00 *GMTV*. 8.25 *What's Up Doc?* 11.30 *The*
ITV Chart Show. 12.30 *pm* *Movies, Games and*
Video.

1.00 *ITN News: Weather*.
 1.05 *London Today: Weather*.
 1.10 *The Crisis Mosaic*.
 1.15 *Film: Parent Trap III*. Hayley Mills
 takes on the dual role of twins com-
 peting for the affections of a wid-
 ower and father of triplets. Disney
 comedy, also starring Barry Bos-
 wood (TV: 1989). The Crisis Mes-
 siah.

2.45 *NBA Basketball*. The game of the
 week, and highlights from the rest
 of the league.

3.45 *Michael Jordan - A Legacy of*
Greatness. The amazing story of
 the world famous basketball player,
 from the early days of college bas-
 ketball to his record-breaking career
 with the Chicago Bulls. The Crisis Mes-
 siah.

4.45 *ITN News and Results: Weather*.
 4.50 *London Tonight and Sport*.
 4.55 *Weather*.
 5.15 *Cartoon Time*.
 5.30 *Catchphrase*. Roy Walker hosts the
 high technology quiz show.

6.00 *Gladiators*. Daring contenders from
 Bournemouth, Stockport, Kent and
 Norfolk challenge the mighty war-
 riors in the second semi-final.

7.00 *Blind Date*. Chick takes off two
 more romantic proposals.

8.00 *Murder, She Wrote*. Jessica un-
 covers a web of jealousy, blackmail
 and greed when a newscaster in town,
 an heroic ex-serviceman previously
 suspected of a robbery in Detroit, is
 accused of murdering his new
 employer. Angela Lansbury stars as
 the amateur sleuth, with William
 Windom, Ron Masak, Louis Herthum
 and Robert Lansing.

8.50 *ITN News: Weather*.
 9.00 *London Weather*.
 9.05 *The Bill*. McGinn and Jarvis find
 a man lying unconscious after inhaling
 a deadly combination of gases.

9.35 *Film: The Wives of Men*. Kevin Kline
 stars as a former cop brought out of
 retirement to track down a serial
 killer in this comic mystery. With
 Susan Sarandon and Harvey Keitel
 (1989).

11.30 *The Big Fight - Live*. Dave
 McKenna v John Davison for the
 British Featherweight Championship.
 The Champ from the Casbah. The
 Crisis Messiah.

12.30 *The Big E: ITN News Headlines*.
 2.30 *The Restaurant Show*.
 3.00 *European Nine-Ball Pool Masters*.
 4.00 *Grand Slam Championships*.
 5.00 *ESPN*.

CHANNEL4

6.00 *Early Morning*. 8.45 *The American Football*
Big Match. 11.00 *Gazette Football Italia*. 12.00 *The*
Christmas Tree Men. 12.30 *pm* *Sale TV*.

1.00 *Cinematization Christmas Celebration*.
 1.30 *The Lion and the Song*.
 1.50 *A Day at Denham*. Film from 1939
 taking a behind-the-scenes look at
 the legendary British movie studio.

2.00 *Film: Q Planes*. An eccentric Scot-
 land Yard officer investigates when
 British planes start disappearing
 during test flights. Comedy thriller,
 starring Ralph Richardson and Laure-
 ence Olivier (1939).

3.25 *Songs of Northumbria*. Documenta-
 ry following acclaimed classical
 singers Sheila Armstrong and
 Thomas Allen during their recording
 of a CD featuring Northumbrian
 songs.

5.05 *Brookside*.
 5.30 *Right to Reply: Soaps Special*.
News Summary.
 7.00 *War Without End?* As winter tight-
 ens its icy grip around the people of
 Bosnia, Jon Snow reviews the last
 year in the country's war-torn his-
 tory, and asks if there is any pros-
 pect of peace in the future months.

8.00 *Four-Matrons*. A look at the varied
 and influential work of Geoff Dunbar,
 from his days as a comedian to his
 family films like *Peter Rabbit* and
Rupert.

9.00 *Brides of Christ*. The Pope's deci-
 sion not to revoke his ruling on con-
 traception has dire consequences for
 Bridget. First episode of the
 drama, starring Melissa Thomas.

10.05 *True Stories: The Unforgiving*.
 Olive Gordon's disturbing portrait of
 a woman in Bosnia as a Serbian couple
 dies and its search for their
 dead son's grave. Their only clue to
 its whereabouts is a Moslem priest-
 er whom they believe murdered the
 child, but even after interrogating
 him, the distraught parents are
 unable to discover where the body
 is buried.

11.30 *James Earl Ray*. Comedy drama
 centring on the lives of three misfits
 awaiting their big break in a small
 Los Angeles suburb. Starring Susan
 Day and Tom Hulse (1985).

1.05 *Late Licence*.
 1.10 *Harman's Head*.
 1.40 *Late Licence*.
 1.45 *Eurobeat*.
 2.15 *The World*.
 3.20 *Saturday Zoo*.
 4.20 *Made in the USA*.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE
 FOLLOWING TIMES:
 1.05 *Anglia News*. 1.10 *The United Kingdom*. 1.35
 CORP. 2.05 *First Eye*. (TV: 1977) 3.45 *Knight*
 Rider. 4.55 *Anglia News* and Sport 5.00 *Anglia*
Weather.

ITV Wales as ITV except:
 12.30 *Welsh Top 10*. 1.05 *Central News*. 1.10
 Bugs Bunny. 1.20 CORP. 1.45 *Movies, Games and*
Video. 2.15 *Knight Rider*. 3.45 *The A-Team*. 4.00
 WCW Worldwide Wrestling. 4.55 *Central News*. 5.00
 The Central Match - Goals Extra. 5.00 *Local*
Weather.

CHANNEL:
 1.05 *Channel 4 News*. 1.10 *Sail the World*. 1.40 *NBA*
Basketball. 2.40 *The A-Team*. 3.40 *Cartoon*. 3.55
 WCW Worldwide Wrestling. 4.55 *Channel News*.
 5.00 *Puffin's Puffin*.

GRANADA:
 1.05 *Granada News*. 1.10 *Telefonos*. 1.40 *Haggis*
 Agut. 2.10 *Capitan Zed*. 3.40 *Zee Zone*. 2.35
 Tomes Tolach. 3.45 *Charade*. 2.45 *The A-Team*.
 3.40 *Westing*. 4.55 *Granada Headlines*. 5.00
 Granada News Review. 5.00 *Granada Weather*.

GRANADA:
 1.05 *Granada News*. 1.10 *Sky West and Cooked*.
 (1993) 3.00 *The A-Team*. 3.55 *Supersports of*
 Westing. 4.55 *Granada News*. 5.00 *Bugs Bunny*. 5.00
 Granada Weather.

ITV:
 12.30 *No Naked Flames*. 1.05 *ITV News*. 1.10 *Sail*
the World. 1.40 *Cartoon*. 1.55 *The Legend of*
Jerry Doan. (TV: 1975) 3.45 *Baywatch*. 4.55 *ITV*
News and Sport 5.00 *ITV Weather*.

ITV:
 12.30 *No Naked Flames*. 1.05 *ITV News*. 1.10 *Sail*
the World. 1.40 *Cartoon*. 1.55 *The Legend of*
Jerry Doan. (TV: 1975) 3.45 *Baywatch*. 4.55 *ITV*
News and Sport 5.00 *ITV Weather*.

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Jerry Doan. (TV: 1975) 3.45 *Baywatch*. 4.55 *ITV*
News and Sport 5.00 *ITV Weather*.

SUNDAY

BBC1

8.55 *The High Chaparral*. 9.15 *Breakfast with Frost*.
 10.15 *Christmas is Coming*. 10.30 *News*. 10.30
slammy Road. 11.00 *Countryfile*. 11.25 *Car-*
ton.

11.30 *Film: The Flying Leathernecks*.
 World War II adventure, starring
 John Wayne and Robert Ryan as
 Marine officers engaged in a bitter
 personal dispute (1951).

1.10 *News*.
 1.20 *Star Toon*. Animations produced
 by The National Film Board of Can-
 ada.

2.00 *EastEnders*.
 3.00 *Film: The Yellow Rolls Royce*.
 Three separate stories about the
 successive owners of a luxury car.
 Rex Harrison, Jeanne Moreau and
 Edmund Purdom star (1964).

4.55 *Cartoon*.
 5.05 *The Clothes Show*. Five service
 employees are on call 24 hours a
 day, 365 days a year, so by way of a
 pre-Christmas treat, the team trav-
 els to Newcastle-upon-Tyne to stage
 a fashion extravaganza for the Blue
 Watch staff of the Tyne and Wear
 Fire Brigade. Jeff Banks visits the
 show featuring the work of design-
 ers from north and south.

5.40 *The Borrowers*. Pod and family only
 have five days before going on pub-
 lic display, and the window seems
 their only chance of escape.

6.10 *News and Weather*.
 6.25 *Songs of Praise*.
 7.00 *Late of the Summer House*.
 7.30 *Bernard and the Genie*. Wacky
 comedy about a timid art expert
 who conjures up a funky genie
 (Larry Harris) to exact revenge on
 his nasty boss (Rowan Atkinson).

8.40 *News and Weather*.
 8.55 *Film: Batman*. Michael Keaton stars
 as the caped crusader in this effec-
 tively dark adaptation of the DC
 Comics superhero series, with an
 over-the-top Jack Nicholson relish-
 ing his role as arch-villain the Joker
 and Kim Basinger as the ambitious
 reporter determined to discover the
 face behind the Batman's mask
 (1989).

11.00 *Legendary Trails*. Elmer Fudd
 makes an epic journey across the
 deserts of Arabia to Jerusalem,
 retracing the route by which the tra-
 ditional biblical gift of frankincense
 was transported to the Mediter-
 ranean.

11.50 *Golf: The Johnnie Walker World*
Championship. Coverage from
 Jamaica. Introduced by Steve Ficker.

1.20 *Weather*.
 1.25 *Close*.

BBC2

7.45 *Podding*. 7.55 *Podding*. 7.40 *Win-*
ning. 7.50 *Telling Tales*. 8.05 *Blue Peter*. 8.35 *Albert*
the 5th Musketeer. 9.15 *Simon and the Witch*. 9.35
Timebushers. 10.05 *Grange Hill*.
 10.50 *The Alan Popey Show*. 11.15 *The Best*
Band. 11.45 *The O Zone*. 12.00 *Singap-*
ore. 12.25 *pm* *Gunsols*. 1.15 *The Phil Sowers* Show.

1.40 *The Living Show*.
 2.00 *Around Westminster*.
 2.30 *Wildlife on Two*. The complex life
 of the robin.

3.00 *International Showjumping*. From
 the Grand Hall, Olympia.
 4.00 *Deeds Smith's Christmas*. Alice King
 chooses a selection of wines to
 accompany desserts.

4.30 *Sid Sunday*. Coverage of the man's
 downhill from Val Gardena, and the
 women's downhill from St Anton.
 5.10 *Rugby Special*. Top clubs come
 together for the fourth round of the
 Pilkington Cup.

6.10 *Red Rover Tales*. The ancient Viet-
 namese folk tale of a water puppet.
 6.25 *The Movie Programme*. Since the
 Beatles' heyday, British music has
 set standards around the world.
 However, a shortage of talent, com-
 bined with new technological devel-
 opments and greater financial and
 artistic demands from established
 performers, has led to a decline in
 profits. Sam Jaffe reports on what
 can be done to revive the industry's
 fortunes.

7.00 *Film: The Witches*. A young boy's
 seaside holiday turns into a night-
 mare when he unwittingly summons
 into the middle of a witchy con-
 vention. Children's fantasy, starring
 Angelica Huston and Rowan Atkinson
 (1990).

8.30 *Moving Pictures Special*. An in-
 vestigation into the rise and fall of Pa-
 sco Pictures.

8.30 *Screen Two: The Trial*. An anonym-
 ous bank clerk is drawn into a
 dark world of uncertainty when he
 is arrested one morning on an unex-
 pected charge by mysterious authori-
 ties. Set in pre-1914 Prague, Harold
 Pinter's adaptation of Franz Kafka's
 classic novel stars Kyle MacLachlan,
 Sir Anthony Hopkins, Jason
 Roberts, Juliet Stevenson and
 Alfred Molina.

11.30 *Feelings*. Short films in which
 disabled people use drama to illus-
 trate their experiences.

11.40 *Film: The Company of Wolves*.
 Surreal horror about a teenage girl's
 adventures in a fantasy world of
 werewolves and mysterious enchan-
 ted forests. Angela Lansbury and
 David Warner star (1984).

1.20 *Close*.

LWT

6.00 *GMTV*. 8.25 *The Disney Club*. 10.15 *Link*.
 10.30 *Sunday Morning*. The Crisis Messiah. 12.35
pm *Cartoon Time*. 12.55 *London Today: Weather*.

1.00 *ITN News: Weather*.
 1.10 *Mark My Words*. Actress and
 wordmaster Jan Harvey is joined by
 Mark Nymen.

1.40 *Big Fight Highlights*. Michael Nunn
 v Marquel Sosa for the WBA Super
 Lightweight title. Michael Nunn
 challenges Terry Norris for the WBC
 Lightweight title, and Julio Cesar
 Chavez takes on Andy Holligan for
 the WBC Light Welterweight title.
 Jim Corbitt introduces highlights
 from the Sunday Match.

2.40 *The Sunday Match*. Trainers
 Rovers v Crystal Palace. Matthew
 Lorenzo introduces live coverage
 from Preston Park. With commen-
 tary by Roger James and Ian St
 John.

5.05 *Highway to Heaven*. Jonathan and
 Mark give some Christmas spirit to a
 miserly businessman in an attempt
 to bring him back to his roots.
 London Tonight. Weather.

6.15 *The Crisis Messiah*.
 6.20 *ITN News: Weather*.
 6.30 *SeaQuest DSV*. Capt. Bridger reluc-
 tantly calls in an eccentric
 man when the underwater vessel's
 air conditioning breaks down. Roy
 Scheider and John Bedford Lloyd
 star.

7.30 *Unlabeled Special*. Comedy, starring
 Emma Wray and Paul Brown.
 8.30 *You've Been Framed!*
 Prime Suspect III. Helen Mirren
 returns as Lynde La Plante's tough
 female C.D. Part 2 of this two-part
 thriller sees Jane Tennison assigned
 to the Soho vice squad after leaving
 CID. With Tom Bell, Peter Capaldi
 and David Thewlis.

11.00 *ITN News: Weather*.
 11.15 *London Weather*. The Crisis
 Messiah.

11.20 *The London Lectures*.
 Award-winning writer Peter Ackroyd
 offers an insight into the capital's
 influence on artists and entertainers.
 Sell the World.

12.05 *The Crisis Messiah*. ITN News
 Headlines.

12.40 *Film: Das Boot*. Acclaimed wartime
 drama which follows the passage of
 a German U-boat on a World War
 II mission. Starring Jürgen Prochnow
 and Herbert Grönemeyer
 (1981).

3.30 *Get Stuffed*. ITN News Headlines.
 3.35 *Island Son*.
 4.00 *Coach*.
 5.00 *Crossed in the Pacific*.

CHANNEL4

6.00 *Early Morning*. 8.25 *Worship*. 8.40 *Late*
and Hardy. 9.45 *Dog City*. 10.15 *The Lone*
Ranger. 10.40 *Land of the Giants</*



"Mummy," says Deirdre Rawley to her mother, Lady Mortlake, "I wish you wouldn't encourage Michael with his political career. I'd so much rather he did a job of work!" This characteristic piece of wit from John Osborne's eminently revivable play, *The World of Paul Slicker*, came subversively to mind as I read yesterday's *Daily Telegraph*.

According to the chronicle of all that is most peculiarly English in the English way of life, no fewer than 16 members of parliament had signed a House of Commons motion complaining that the British Broadcasting Corporation had made England's rugby union players "Team of the year".

There might be butchery in Bos-

Rugby award causes Commons ruck

Dominic Lawson finds that when there are prizes to be handed out, controversy is not far behind

nia, mass unemployment throughout Europe and a fascist about to seize control of Russia, but we can trust British MPs to get agitated about the things which genuinely matter. The motion, drawn up by Labour members, went on to ask why "more appropriate contenders" were overlooked.

Apparently, some of the honourable members felt strongly - the only way in which they do feel things - that the England World Cup-winning women's cricket team should have been given greater consideration. Still, I suppose we should be grateful that the motion

was not drafted by loyal Conservative MPs: they would probably have nominated the Cabinet.

All this, however, paled in comparison to the fuss stirred up in the tabloid newspapers last week over something called the British Comedy Awards. This event, held at the Dorchester hotel - how very pleasant - at the end of November, gave the supreme accolade of "top TV comedy actor" to Rik Mayall. But, according to the front pages of several of the UK's most successful newspapers, the award was a fix.

Mayall's name, they claim, was not even on the shortlist of candi-

dates, which consisted of people with real names like David and Richard and Michael and Neil. It was "a scandal", declared *The Sun*, and others seemed to agree.

Hardly a week goes by without a public debate over one award or another. Typically, these awards are made by a group of people in one business to another in the same line of work. They are simply a good excuse for a large number of cronies to have a seasonal bash at the Dorchester at somebody else's expense. Members of the publishing, newspaper and television industries, masters of the expense

account life, are particularly keen on this sort of thing.

Such events should be of no concern to the public who are, quite reasonably, excluded from these Masonic gatherings. In the case of the BBC team of the year award, the business is not even settled by a ballot but decided by executives. The MPs should mind their own business - or start up their own award, which they could give to the English woman's cricket team.

It is remarkable, though, how steamed up outsiders do get about awards. The Booker literary prize never manages to create anything

less than a full scale controversy. But it is just a handful of writers trying to do a favour to a friend in need. The amount of money involved is usually less than the advance which the winner received for his work, long before it was known to be any good.

The most lucrative of all the awards, and perhaps the one which started all the rot, is the Nobel prize. Each of those is worth £100,000, tax free. No wonder people become jealous, or outraged. The British complain bitterly that Graham Greene or Anthony Burgess never won the prize for litera-

ture, and moan incessantly when it is handed to a succession of third world authors, few of whom write in God's own language.

But why should we care which obscure Egyptian poet was the compromise choice of a panel of six senile Swedes? If the trustees of the estate of the man who founded the modern explosives industry wish to spend the income from Alfred Nobel's bequest in all manner of idiosyncratic ways, let them.

Meanwhile, the UK's elected representatives should find other ways to occupy their time. I refer back to John Osborne's brilliant play, in answer to Deirdre's "I'd so much rather he did a proper job of work!" Lady Mortlake remarks: "I suppose he could take a few directorships." Deirdre: "But darling, that wouldn't keep his mind occupied." ■ *Dominic Lawson is editor of The Spectator*

Private View / Christian Tyler

A dreamer with designs on life

Their work is all around us but we never know their names. They shape everything we see, from soap trays to shopping arcades, and leave behind no mark, no signature. These anonymous people are called designers.

Who, for example, created the plastic shades that pull down over aircraft windows? Or the tree walk in Battersea Park? Or the superstructure of the QE2? As it happens, the answer to all these questions is James Gardner, a man known to his friends as "G" and to the rest of his countrymen... hardly at all.

Gardner has been designing things for more than 70 years. At the age of 15, he was at Cartier's studio in London's Bond Street working on a tiara for opera star Dame Nellie Melba.

At 86 - which he will be in 11 days - he is doing a visitor centre for Stonehenge, a warfare museum for Hartlepool and an archaeological park for the Israeli desert.

"I'll be about 90 by the time it's finished," he said. "So I'd better put ramps in, hadn't I."

When I asked him why designers in Britain were invisible, he said it was because they were not regarded as "professionals". They were seated at the bottom of the table.

Things are different abroad: arriving once in Sweden by boat, he found cameras at the quayside. "I thought it was some politician or starlet going ashore. I went down and it was me they were taking!"

The English were more literary than visual and were mentally anarchic and lazy, he said. They took their gifted Renaissance children and taught them to suppress their physical and visual senses. Gardner says he escaped. "Education didn't touch me. I just ignored it. I was completely unteachable."

Were you bolshie?

No, not particularly bolshie, just not interested. So the childish part of my brain still remains, you see. Directly I left school, I started reading and studying the books I didn't want to read at school."

You knew you could draw and that was enough?

"That was my way out. The teachers were enemies in a sense, actors who knew the lines when I didn't. I wasn't at that interested in the play, anyway."

He was born a spectator and recorder. "Scientists may classify me as *homo sapiens*. I'm not at all, really. I'm a chap from another planet and I've been sent here as punishment." He chuckled. "I'm very much a loner."

Does loner mean lonely? "I don't have any close relationships but I deal with quite a lot of associates. And I find... I'm not very fond of myself as a person and I don't want to sit down and examine my navel and get introspective. So I work. And I just work. That's it."

James Gardner's 70-year career began with Nellie Melba. Now he is working on Stonehenge

What is it about yourself you don't like, then?

"Goodness knows. Never did." He gave a nervous laugh. "A lot of people are like this. It's a Calvinist thing, an inborn sense of guilt or something. I've got to work to justify myself, all the time."

Idleness is the great sin? "Yes. People say 'what do you do for your leisure?' and I have to think: er... I look on leisure as a sort of retirement on the instalment plan."

You never wanted to retire and sit in the sun? "Oh lord, no! I can understand other people doing it, just as I see walrus doing it on the beach."

Despite his obvious facility with pencil and brush, Gardner says he never wanted to be an architect or painter. He disparages architects who consider themselves intellectuals but forget for whom buildings are built.

What do you mean by intel-

lectuals? "I put it this way. The world is populated by two kinds of people: the yakkers or talkers, and the doers. And I think the talkers can get dominant and then the doing goes wrong - for example, the Bauhaus in Germany."

Commercial art was not a poor relation: it just had different objectives. When he was a student, it was a blossoming industry and art with a capital "A" was for people with rich uncles or a bit of money.

"I didn't have either. But I've never had an aim to express myself. I'm given a problem and I try and solve it - a ship or a museum. Give me a blank bit of canvas and I'm at a loss."

His secret, he said, is visualisation. "I've practically got a photographic memory, to start with. You give me a problem and I can build a model in my head, almost instantaneously. The whole thing is real in my head, as you might get in a dream. Then I translate that onto the drawing board."

"When I hit problems of mechanics and technology, I ask experts, or experience teaches me. Then I'm able to translate it into 3-D again."

Gardner progressed from advertising and product design to exhibition work. During the second world war, he translated ticker-tape reports into battle-scenes for the *Daily Express*, then found himself in the deception and camouflage game building pneumatic tanks, artillery pieces and landing craft to fool German intelligence, and an exploding bicycle pump to cheer the French Resistance.

His experience of fairs and exhibitions led to the "concept museum" of which he was a pioneer, replacing the traditional glass-case hall with the one-way circulation system "where people go in one end and come out with different ideas at the other."

Among the many was the Museum of the Diaspora in Tel Aviv and (on a related theme) the Museum of Tolerance in Los Angeles. He is most proud of his national museum of natural science in Taiwan, the story of man's evolution seen through his (Gardner's) eyes.

But much of his large output had, of its nature, been ephem-

eral. Did that make him feel he had wasted his substance?

"Yes, but I think it's as far as one can go in modern society. I don't think the real is very acceptable. The only time people are interested in the past is where they go through the portals of a museum. The rest of the time, they're just running around like rabbits and not really thinking at all."

Gardner is an individualist, but with two personalities. The one I met tended to the gloomy. The other, portrayed in his recent autobiography *The Artful Designer*, is boisterous, quirky and irreverent.

His father was a travelling salesman in ladies' hats, his mother the Belle of Tumbidge Wells. She died from a clot on the brain while cutting the bread for breakfast one morning. The boy was only 14, did not get on with his stepmother and went out into the world.

He married Mary Williams, a goddess he met behind the counter at Selfridge's in London's Oxford Street. She was pregnant by a Spanish salesman and "G" agreed readily to become her husband, and father to the twin boys. But the long marriage was dull, he said.

When his wife died, he disposed of the house. What could not be sold or given away, he heaped into a sacrificial bon-

fire that lit up the hillside. In the office and on his travels, he was assisted by a succession of pretty secretaries named, collectively, "Mehitabel".

Despite the book's apparent hints to the contrary, he assured me they were not mistresses.

I said the book made him sound pleased with himself.

"Oh, that's good. I'm glad to hear that. People have told me it's a very cheerful book whereas I tend to be, frankly, rather a morose character. Anyway, I kid myself I am." It was not black moods, he said,

but a tendency to see half-empty pots where others saw half-full ones.

I asked: where does the moroseness come from? He pondered. "I think that I was rather over-idealistic when I was a youngster. And you find that everything flattens

out and things just don't happen."

"I thought we were going to improve Britain's appreciation of design, but it's very difficult to get in under the British and change them. They've got this inertia that goes way back. And it's disappointed me, really. I feel we're not getting anywhere."

"You ask most people what will happen in their countries in five or 10 years and they'll give you an answer. But, in England, no one's got a clue. It's rather a poor show for a nation with our terrific past."

With the Roman senator and the Japanese samurai, the English Gentleman ("who's quite bogus really: he had to behave because of the servants") was one of the great creations of history. His taste, manners and literature had been copied the world over.

"Then two wars partly did it and we went flop. I feel I'm living in a flop period. That's what makes me slightly sad about things."

Your book offers no conclusion about your life, I said. What would it be?

"What am I doing here? This complex of electrons and molecules all buzzing like mad and keeping me up on my two legs. What's it all for?"

"There's an over-developed brain which invents a purpose, whereas probably the football fans have got it right when they sing 'We're here because we're here because we're here'."

"At the end, all my *compères* are either retired or dead and I'm still at it. So, I rather feel like doing a smooch at life and saying 'Anyway, I'm still doing it.'"

"That's about it, actually."

English yes, French non

Michael Thompson-Noel



I feel sorry for the French. I know that will provoke you to say nobody on the planet, so far as I can determine, remotely likes the French. They have the best country in the world, yet their arrogance and rudeness serve as insurmountable barriers to anyone who tries to like them.

The reason I feel sorry for the French is that their efforts to protect their culture from American crap, pap and rubbish are doomed to failure, at least temporarily. True, the exclusion of films and broadcasting from the Gatt agreement on world trade liberalisation has been hailed by French politicians as prefacing victory in their struggle to stop Hollywood's moguls annihilating Europe's film industry.

But Europe's "victory" will prove hollow. Eventually, Hollywood will get its way. Technological developments in the global media marketplace are moving at such gigantic speed that efforts to preserve "cultural identity" by propping up regional film industries will not prevail.

The global village is a reality. As a result, the future is streaming into our homes and lives in a great sun-burst of particles.

For a while, Hollywood will hold sway. American audio-visual products will indeed rule the airwaves. Our lives will seem ever more coarse. We may get quite desperate. And we shall feel immeasurably sad as the French film industry topples into the gutter.

I love French movies. But I also love Australian movies, Italian movies, British movies, Spanish movies - movies of wit, distinction and sexiness from anywhere on

earth, Hollywood by no means excluded. I expect I would even enjoy Welsh movies if that grey little region ever stopped whinging, actually got its finger out and did something constructive to endear itself to the rest of us.

In London, according to listings in *Time Out* magazine, there are 27 American films on current release against eight British and two French. (I am not counting co-productions. *Orlando*, for example, a most enjoyable film, is listed as a British-Russian-French-Italian-Dutch co-production.)

HAWKS & HANDSAWS

The preponderance of American films on show in London no doubt justifies filmmakers' accusations of US cultural imperialism.

But there is one development to come that, in the fullness of time, will rescue regional film-making and deal Hollywood a blow. It is this: the French and all the rest - China, perhaps, excluded - will make their films in English. They will do this because English is what they will speak.

You don't have to be a genius to see that the main reason why the French at present capture only the tiniest fraction of ticket sales in US cinemas is because they film their movies in French. Americans don't speak French. And they cannot struggle with subtitles.

This is not because they are thick -

well, not *exclusively* because they are thick - but because cinema audiences in the US cannot be expected to watch the screen and read subtitles while at the same time consuming immense quantities of food and Coke.

It shocks me that so many French people do not yet speak English. When did you last meet a German who did not speak English? Or a Scandinavian? Or a member of any number of forward-looking nations? When I visited the Norwegian embassy in London 10 days ago to berate them for their whaling, do you imagine we spoke Norwegian?

I was confronted by the phenomenon of non-English-speaking French people last April in Paris when attempting to find my hotel in the middle of the evening rush-hour. I was sitting in my car - traffic was at a standstill - when, from a passageway to my right, a Parisian shot out in a large, yellow Citroën, halting his vehicle only 1.5 m from the side of my car.

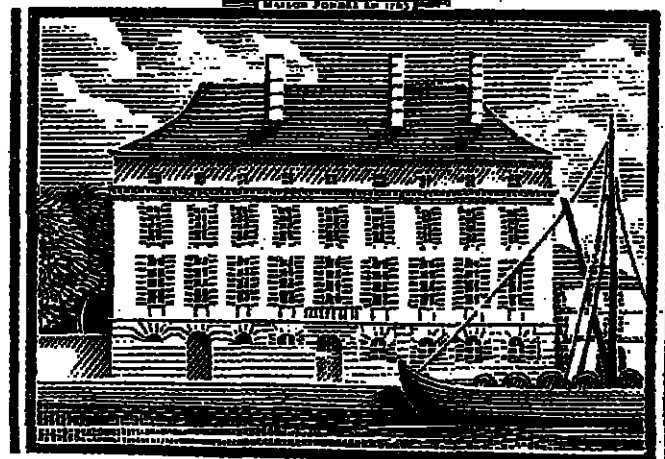
I looked at him aghast. And then I started shouting. "Have you the remotest idea what this car is," I screamed. "This car is a Rover, a noble and lineal descendant of the Spitfire aircraft that helped cleanse your skies and save you from the Hun."

"How dare you hurl that heap of lemony metal virtually into my side. Are you completely mad? You look hopelessly mad to me." I kept this up for three minutes. Stonily, he stared. It dawned on me that he was equipped with not a word of English.

The French have got to get real, starting with their movies. They must ditch their dead language. The sooner they switch to English, the sooner they can play a rôle in zapping the Hollywood moguls.

Les Secrets Précieux de

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